

OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: Standard & Poor's: "A"
 (See "MISCELLANEOUS-Rating")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds will be 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 imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. 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 inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$8,025,000
BLEDSOE COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

Dated: April 15, 2016

Due: June 1 (as indicated below)

The \$8,025,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") shall be issued by the Bledsoe County, Tennessee (the "County") as book-entry-only Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. 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 December 1, 2016 and thereafter on each June 1 and December 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 territorial limits of 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 have been irrevocably pledged.

Bonds maturing June 1, 2024 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2023.

| <u>Maturity</u> <u>(June 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>CUSIPS **</u> | <u>Maturity</u> <u>(June 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | | <u>CUSIPS **</u> |
|------------------------------------|---------------|--------------------------------|--------------|-------------------------------------|------------------------------------|---------------|--------------------------------|--------------|---|------------------|
| 2017 | \$ 65,000 | 2.00% | 0.75% | 093509 LK1 | 2027 | \$ 315,000 | 2.00% | 1.90% | c | 093509 LV7 |
| 2018 | 90,000 | 2.00 | 0.85 | 093509 LL9 | 2028 | 325,000 | 2.00 | 2.00 | | 093509 LW5 |
| 2019 | 95,000 | 2.00 | 1.10 | 093509 LM7 | 2029 | 330,000 | 2.25 | 2.10 | c | 093509 LX3 |
| 2020 | 285,000 | 2.00 | 1.20 | 093509 LN5 | 2030 | 335,000 | 2.50 | 2.25 | c | 093509 LY1 |
| 2021 | 290,000 | 2.00 | 1.30 | 093509 LP0 | 2031 | 345,000 | 2.35 | 2.35 | | 093509 LZ8 |
| 2022 | 295,000 | 2.00 | 1.40 | 093509 LQ8 | 2032 | 355,000 | 2.50 | 2.50 | | 093509 MA2 |
| 2023 | 300,000 | 2.00 | 1.50 | 093509 LR6 | 2033 | 360,000 | 2.75 | 2.55 | c | 093509 MB0 |
| 2024 | 300,000 | 2.00 | 1.60 | c 093509 LS4 | 2034 | 370,000 | 2.75 | 2.60 | c | 093509 MC8 |
| 2025 | 305,000 | 2.00 | 1.70 | c 093509 LT2 | 2035 | 380,000 | 2.75 | 2.65 | c | 093509 MD6 |
| 2026 | 310,000 | 2.00 | 1.80 | c 093509 LU9 | | | | | | |
| | | \$795,000 | 3.00% | Term Bond Due June 1, 2037 @ 2.75% | c | 093509 MF1 | | | | |
| | | \$845,000 | 3.00% | Term Bond Due June 1, 2039 @ 2.00% | | 093509 MH7 | | | | |
| | | \$935,000 | 3.00% | Term Bond Due June 1, 2041 @ 3.115% | | 093509 MK0 | | | | |

c = Yield to call on June 1, 2023.

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

The Bonds are offered when, as and if issued by the County, subject to the approval of the legality thereof by Miller & Martin PLLC, Chattanooga, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the County by Howard Upchurch, Esq., counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about April 15, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

March 22, 2016

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

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

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), 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 Resolution.

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

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

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

** These CUSIP numbers have been assigned by 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.

BLEDSOE COUNTY, TENNESSEE

OFFICIALS

Honorable Gregg Ridley
Carolyn Terry
Amanda Slaven
Howard Upchurch, Esq.

Mayor
County Clerk
Finance/Budget Director
County Attorney

COUNTY COMMISSIONERS

Shayne Bickford
Tim Campbell
William Cartwright
Matthew Colvard
Junior Hankins
Ronald Hudson
Craig Mercer

Robert Reece
Tanya Robertson
Ronald Sapp
Roger Simmons
Perry Swafford
Aaron Yeargan

BOND REGISTRAR AND PAYING AGENT

Regions Bank
Nashville, Tennessee

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

BOND COUNSEL

Miller & Martin PLLC
Chattanooga, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

| | |
|--|----|
| SUMMARY STATEMENT | i |
| SECURITIES OFFERED | |
| Authority and Purpose | 1 |
| Refunding Plan..... | 1 |
| Description of the Bonds..... | 1 |
| Security..... | 2 |
| Qualified Tax-Exempt Obligations..... | 2 |
| Optional Redemption | 2 |
| Mandatory Redemption | 3 |
| Notice of Redemption | 3 |
| BASIC DOCUMENTATION | |
| Registration Agent | 5 |
| Book-Entry-Only System..... | 5 |
| Discontinuance of Book-Entry-Only System | 7 |
| Disposition of Bond Proceeds..... | 8 |
| Discharge and Satisfaction of Bonds | 8 |
| Remedies of Bondholders | 9 |
| LEGAL MATTERS | |
| Litigation | 10 |
| Tax Matters | |
| <i>Federal</i> | 10 |
| <i>State Taxes</i> | 12 |
| Changes in Federal and State Tax Law | 12 |
| Closing Certificates..... | 12 |
| Approval of Legal Proceedings | 13 |
| MISCELLANEOUS | |
| Rating | 14 |
| Competitive Public Sale..... | 14 |
| Financial Advisor; Related Parties; Other | 14 |
| Debt Record | 15 |
| Additional Debt..... | 15 |
| Continuing Disclosure..... | 15 |
| <i>Five-Year History Filing</i> | 16 |
| <i>Content of Annual Report</i> | 16 |
| <i>Reporting of Significant Events</i> | 17 |
| <i>Termination of Reporting Obligation</i> | 18 |
| <i>Amendment; Waiver</i> | 18 |
| <i>Default</i> | 18 |
| Additional Information | 19 |
| CERTIFICATION OF ISSUER | 20 |
| APPENDIX A: FORM OF LEGAL OPINION | |

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

Location B-1
General..... B-1
Education B-1
Medical Facilities B-2
Manufacturing and Commerce B-3
 Major Employers in the County B-3
Employment Information..... B-3
Economic Data B-4
Recreation..... B-4
Recent Developments..... B-5

DEBT STRUCTURE

Summary of Bonded Indebtedness B-6
Indebtedness and Debt Ratios B-7
Debt Service Requirements – General Obligation B-9
Debt Service Requirements – School Fund B-10

FINANCIAL OPERATIONS

Introduction..... B-11
Fund Balances and Retained Earnings..... B-11
Five-Year Summary of Revenues, Expenditures and
 Changes in Fund Balance – General Fund B-12
Basis of Accounting and Presentation B-13
Investment and Cash Management Practices B-13
Real Property Assessment, Tax Levy and Collection Procedures
 State Taxation of Property B-13
 County Taxation of Property..... B-14
 Assessment of Property B-15
 Periodic Reappraisal and Equalization..... B-16
 Valuation for Property Tax Purposes B-16
 Certified Tax Rate B-17
 Tax Freeze for the Elderly Homeowners B-17
 Tax Collection and Tax Lien..... B-17
 Assessed Valuations B-18
 Property Tax Rates and Collections B-19
 Ten Largest Taxpayers..... B-19
Local Option Sales Tax B-19
Pension Plans B-20

**APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS – THE BLEDSOE COUNTY,
TENNESSEE**

SUMMARY STATEMENT

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

| | |
|-------------------------------------|--|
| Issuer | Bledsoe County, Tennessee (the “County” or “Issuer”). See APPENDIX B contained herein. |
| The Bonds..... | \$8,025,000 General Obligation Refunding Bonds, Series 2016 (the “Bonds”). |
| Security | The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of 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 have been irrevocably pledged. |
| Purpose | The Bonds are being issued for the purpose of refinancing, in whole or in part, (i) the County’s outstanding General Obligation Bonds, Series 2009, dated June 1, 2009, maturing June 1, 2020 and thereafter; and (ii) the payment of legal, fiscal, administrative costs incident to the indebtedness described herein. |
| Optional Redemption | The Bonds are subject to optional redemption prior to maturity on or after June 1, 2023, 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 for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS- Tax Matters” and APPENDIX A (form of opinion) included herein. |
| Bank Qualification | The Bonds have been designated or deemed designated 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: “A”. See the section entitled “MISCELLANEOUS - Rating” for more information. |
| Registration and Paying Agent | Regions Bank, Nashville, Tennessee (the “Registration Agent”). |
| Bond Counsel | Miller & Martin PLLC, Chattanooga, Tennessee. |
| Financial Advisor | Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parties; Others”, herein. |
| Underwriter..... | FTN Financial Capital Markets, Memphis, Tennessee. |

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

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, 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 Information.....The information in the OFFICIAL STATEMENT is deemed “final” within the meaning of such Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County, or the OFFICIAL STATEMENT, contact Mr. Gregg Ridley, County Mayor, P.O. Box 149, Pikeville, Tennessee 37367, Telephone: (865) 273-3401; or the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES

Summary of Changes In Fund Balances
(In Thousands)
For the Fiscal Year Ended June 30

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|----------------------------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Beginning Fund Balance | \$ 127,995 | \$ 215,842 | \$1,746,677 | \$1,935,588 | \$ 2,228,877 |
| Revenues | 3,253,702 | 4,738,382 | 4,300,178 | 4,394,539 | 4,297,135 |
| Expenditures | 3,188,477 | 3,551,675 | 3,884,624 | 4,008,380 | 4,520,558 |
| Other Financing Sources: | | | | | |
| Insurance Recovery | 667 | - | - | - | - |
| Sale of Capital Assets | - | - | - | - | 2,185 |
| Transfers In | 21,955 | 344,128 | - | - | - |
| Transfers Out | - | - | (50,000) | (92,870) | (105,000) |
| Ending Fund Balance | <u>\$ 215,842</u> | <u>\$1,746,677</u> | <u>\$1,935,588</u> | <u>\$2,228,877</u> | <u>\$1,902,639</u> |

Source: Comprehensive Annual Financial Reports of the Bledsoe County, Tennessee.

\$8,025,000
BLEDSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the Bledsoe County, Tennessee (the “County”, “Municipality” or “Issuer”) of its \$8,025,000 General Obligation Refunding Bonds, Series 2016 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to a resolution (the “Resolution”) adopted by the County Commission (the “Commission”) on February 22, 2016.

The Bonds are being issued for the purpose of refinancing, in whole or in part, (i) the County’s outstanding General Obligation Bonds, Series 2009, dated June 1, 2009, maturing June 1, 2020 and thereafter; and (ii) the payment of legal, fiscal, administrative costs incident to the indebtedness described herein.

REFUNDING PLAN

The County is proposing to refinance the General Obligation Bonds, Series 2009, dated June 1, 2009, maturing June 1, 2020 and thereafter on June 1, 2019 at par plus accrued interest (the “Outstanding Debt”).

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

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance April 15, 2016. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2016. The Bonds are issuable in registered book-entry form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of 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 have been 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 tax required to be levied as described above may be reduced to the extent of any direct appropriations from other funds, taxes and revenues 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

Bonds maturing June 1, 2024, and thereafter, shall be subject to optional redemption prior to maturity at the option of the County on June 1, 2023 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

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

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

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

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 2037, June 1, 2039 and June 1, 2041 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the 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> |
|-----------------|------------------------|---|
| June 1, 2037 | June 1, 2036 | \$390,000 |
| | June 1, 2037* | \$405,000 |
| June 1, 2039 | June 1, 2038 | \$415,000 |
| | June 1, 2039* | \$430,000 |
| June 1, 2041 | June 1, 2040 | \$460,000 |
| | June 1, 2041* | \$475,000 |

*Final Maturity

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

(The remainder of this page left blank intentionally.)

BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry 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 Standard & Poor's 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 Bonds, except in the event that use of the book-entry 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 FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent, the Financial 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 Financial 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) all accrued interest shall be deposited to the appropriate fund of the County to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
- (b) an amount, which together with investment earnings thereon and legally available funds of the County, if any, will be sufficient to pay principal of and interest on the Outstanding Bonds shall be transferred to the Escrow Agent under the Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein or shall be transferred to the paying agent for the Outstanding Bonds; and
- (c) the remainder of the proceeds of the sale of the Bonds shall be paid used to pay the costs of issuance of the Bonds, including 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.

DISCHARGE AND SATISFACTION OF BONDS

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

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); or
3. By delivering such Bonds to the Registration Agent for cancellation by it;

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

cease, terminate and become void; and 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, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

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

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

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

(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 have a material adverse effect on the County's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds.

TAX MATTERS

Federal

General. Miller & Martin PLLC, Chattanooga, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds:

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

Bond Counsel will not express any opinion as to such collateral tax consequences. 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 "Changes in Federal and State Tax Law".

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

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

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

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

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

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

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) 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 (c) 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 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 Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the 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 Miller & Martin PLLC, Chattanooga, 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 Ratings Services ("Standard & Poor's") has given the Bonds the rating of "A".

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Standard & Poor's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, 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 Standard & Poor's and any explanation of the significance of such rating should be obtained from Standard & Poor's.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on March 22, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated March 16, 2016.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$8,024,383.44 (consisting of the par amount of the Bonds, plus a net reoffering premium of \$79,213.45 and less an underwriter's discount of \$79,830.01) or 99.992317% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

Official 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 Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the County and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Miller & Martin PLLC 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.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing needs and may or may not issue additional debt in the future.

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 and operating data 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, 2015 (the "Annual Reports"), 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 Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports 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 County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transactions were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, for the fiscal years ending June 30, 2011 through June 30, 2015, 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 auditing standards, 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 bonded indebtedness as of the end of such fiscal year as shown on page B-6;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-7 and B-8;
3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-9;
4. Information about the Bonded Debt Service Requirements – Schools Debt Service Fund as of the end of such fiscal year as shown on page B-10;
5. The fund balances and retained earnings for the fiscal year as shown on page B-11;
6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-12;
7. 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-18;

8. 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-19; and
9. The ten largest taxpayers as shown on page B-19.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the County or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;

- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) 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 the PRELIMINARY OFFICIAL STATEMENT and 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 the PRELIMINARY OFFICIAL STATEMENT and 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 the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

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

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

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

(The remainder of this page left blank intentionally.)

[This page was 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/ Gregg Ridley
County Mayor

ATTEST:

/s/ Carolyn Terry
County Clerk

FORM OF LEGAL OPINION

April 15, 2016

Board of Commissioners
Bledsoe County, Tennessee

We have acted as bond counsel in connection with the issuance by Bledsoe County, Tennessee (the "Issuer") of \$8,025,000 General Obligation Refunding Bonds, Series 2016, dated April 15, 2016 (the "Bonds"). 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 Bonds constitute general obligations of the Issuer for the payment of 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.

3. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) 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 imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. 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 3 and in Paragraph 5 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) 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 (c) 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.

5. 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 have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other official materials relating to the Bonds, and we express no opinion relating thereto. We further express no opinion as to the investment quality of the Bonds.

In rendering the above opinion, we have relied upon the opinion of even date herewith of the County Attorney of the Issuer with respect to the due organization and existence of the Issuer as a valid political subdivision of the State; and we express no opinion as to matters which might be disclosed by an examination of agreements or instruments to which the Issuer is a party or by which or any of its assets may be bound.

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,

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Bledsoe County (the “County”) is located 50 miles north of Chattanooga in the southeast part of Tennessee. The County is a small rural community that is located in the northernmost part of the Sequatchie Valley in Middle Tennessee. It is bordered by Cumberland County on the North, Rhea and Hamilton Counties on the East, Sequatchie County on the South and by Van Buren County on the West. The County has a Census 2010 population of about 12,876. The City of Pikeville, the county seat, is located in the central part of the county on the Sequatchie River and has a Census 2010 population of about 1,608.

GENERAL

The County covers about 406 square miles and is divided into three distinct regions: Sequatchie Valley down the middle, Cumberland Plateau to the west and Walden Ridge to the east. Major agricultural crops include corn, pumpkins, small grains and tomatoes. The natural resources in the area are coal, limestone and timber.

Transportation facilities are provided by two interstates, one US highway, 127, and four state highways, 28, 30, 101 and 285. There are 30 miles to access of I-40, and 50 miles to access I-24. About 33 miles away the Crossville Memorial Field provides the community airport. The nearest commercial airport is Lovell Field located in Chattanooga about 58 miles away. The nearest port to the Tennessee River is Centre South River Port located in nearby Chattanooga about 50 miles away.

EDUCATION

Bledsoe County Schools has five schools: a modern high school (including a career training center), a middle school, and three elementary schools. Total enrollment for fall 2014 was 1,932 students and 124 teachers.

Source: Tennessee Department of Education.

Chattanooga State Technical Community College (the “CSTCC”) is located in Chattanooga, Tennessee. It was founded in 1965. The fall 2014 enrollment was 9,557 students over 4 campuses: Downtown Chattanooga, East Chattanooga, Dayton, Kimball and Sequatchie Bledsoe. Chattanooga State provides comprehensive one and two-year occupational, college parallel, continuing education, and community service programs as well as quality technical and scientific occupational programs. The College serves Chattanooga and Hamilton, Bradley, Rhea, Sequatchie, Marion, Bledsoe, and Grundy counties.

Since 2007 CSTCC has invested more than \$2.3 million in technology curriculum updates and expansions to relate directly to automotive industry and suppliers, as well as energy and nuclear industries moving to the area. Volkswagen has completed construction on a \$1 billion plant in nearby Chattanooga that employs about 2,000 people. The large work force needed has the opportunity to be trained for Volkswagen in addition to the suppliers. The \$2.4 billion Wacker Polysilicon plant, expected to begin production in early 2016 and located in

nearby Bradley County, has three apprenticeship programs at CSTCC to help meet future employment needs. Chemical operator and mechanical and electrical/instrumentation apprentices will work one to two days a week at the plant in addition to their class work.

Source: Chattanooga State Technical Community College.

The Tennessee Technology Center Division of Chattanooga State. The Tennessee Technology Center at Chattanooga State is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Chattanooga is a unit of Chattanooga State Technical Community College and serves the southeastern region of the state including Hamilton, Sequatchie, Bledsoe, Marion, and Grundy Counties or in nearby north Georgia and Alabama. The Technology Center at Chattanooga began operations in 1969, and the 90 acre main campus is located in Hamilton County. Fall 2013 enrollment was 2,031 students.

Source: Tennessee Technology Center at Chattanooga and Tennessee Higher Education Commission.

MEDICAL FACILITIES

The *Erlanger Bledsoe Hospital* is the County's only hospital with 32 beds. Located in Pikeville, Erlanger Bledsoe serves the residents of the Cumberland Plateau area which also includes the Dunlap and Crossville communities. The 24-hour Emergency Room has a private trauma room and teleradiology and telemedicine link-up to Baroness Erlanger Trauma Center to assist with ER patient assessments. Services provided include internal medicine, pediatrics, radiology, mammography, CT scan, full-service laboratory and inpatient / outpatient physical, occupational and respiratory therapy. There is an on-site helipad to facilitate LIFE FORCE transport service to Erlanger Baroness Campus. Well-trained emergency personnel can transport critical patients to a regional trauma center in fifteen minutes.

The *Bledsoe County Nursing Home*, located next to the hospital in Pikeville, is owned by the County. The facility is run by Erlanger and has 50 certified beds. On average the facility has a 90% occupancy rate.

Erlanger Health System is a non-profit, academic teaching center affiliated with the University of Tennessee College of Medicine. The Erlanger Baroness Hospital in Chattanooga is also a Level-One Trauma Center for adults and the only provider of tertiary care services for the citizens of an entire four-state region, encompassing southeast Tennessee, north Georgia, north Alabama and western North Carolina. With a history that dates back more than a century, Erlanger is recognized as one of the nation's finest public hospitals and a leader in healthcare. Each year, more than a quarter of a million people are treated by the team of healthcare professionals who are part of Erlanger. Erlanger Medical Center is the third largest hospital complex in Tennessee and the largest public hospital in the State. Since its creation in 1891, Erlanger has grown into an 811-bed teaching facility. The four other hospitals in Chattanooga have over of 800 beds.

Source: Erlanger Health System.

MANUFACTURING AND COMMERCE

Major Employers within Bledsoe County, Tennessee

| <u>Company</u> | <u>Product/Service</u> | <u>Employment</u> |
|------------------------------|------------------------|-------------------|
| Bledsoe County | | |
| Correctional Complex | State Prison | 1,200 |
| Bledsoe County Education* | Education | 132 |
| Bledsoe County | Government | 157 |
| Hubbard Farms Hatchery | Poultry | 72 |
| Fall Creek Falls | State Park | 67 |
| Bledsoe Telephone Co-Op | Telecommunications | 50 |
| City of Pikeville | Government | 22 |
| Advanced Auto Machining, Inc | Precision Machining | 12 |

* Includes teachers and administrators only.

Source: Southeast Industrial Development Association.

EMPLOYMENT INFORMATION

As of November 2015, the County had an unemployment rate of 7.1%, with 3,900 persons employed out of a work force of 4,190. The County's unemployment rate over the years is shown on the following chart:

| | Unemployment | | | | |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Annual Average | Annual Average | Annual Average | Annual Average | Annual Average |
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| National | 9.6% | 8.9% | 8.1% | 7.4% | 6.2% |
| Tennessee | 9.7% | 9.2% | 8.0% | 8.2% | 6.7% |
| Bledsoe County | 12.8% | 11.2% | 9.9% | 10.4% | 8.7% |
| Index vs. National | 133 | 126 | 122 | 141 | 140 |
| Index vs. State | 132 | 122 | 124 | 127 | 130 |

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

[balance of page left blank]

ECONOMIC DATA

Due to the County's predominantly industrial and agriculture base, Bledsoe County's level of per capita income is lower than the State level.

Per Capita Personal Income

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| National | \$40,277 | \$42,453 | \$44,266 | \$44,438 | \$46,049 |
| Tennessee | \$35,601 | \$37,323 | \$39,137 | \$39,312 | \$40,457 |
| Bledsoe County | \$19,862 | \$20,541 | \$21,503 | \$20,379 | \$21,432 |
| Index vs. National | 49 | 48 | 49 | 46 | 47 |
| Index vs. State | 56 | 55 | 55 | 52 | 53 |

Source: Bureau of Economic Analysis.

Social and Economic Characteristics

| | <u>National</u> | <u>Tennessee</u> | <u>Bledsoe County</u> |
|--|-----------------|------------------|-----------------------|
| Median Value Owner Occupied Housing | \$175,700 | \$139,900 | \$105,000 |
| % High School Graduates or Higher Persons 25 Years Old and Older | 86.30% | 84.90% | 78.0% |
| % Persons with Income Below Poverty Level | 14.80% | 18.30% | 28.5% |
| Median Household Income | \$53,482 | \$44,621 | \$34,450 |

Source: U.S. Census Bureau State & County QuickFacts - 2014.

RECREATION

Fall Creek Falls State Park. Fall Creek Falls has more than 20,000 acres sprawled across the eastern top of the rugged Cumberland Plateau. The park is located in both Bledsoe and Van Buren counties. While Fall Creek Falls, at 256 feet, is the highest waterfall in the eastern United States, other waterfalls in the park are Piney and Cane Creek Falls and Cane Creek Cascades. Other features of the park are cascades, gorges, streams, and lush stands of virgin hardwood timber. Southern Living magazine readers voted Fall Creek Falls the best state park in the Southeastern United States. The park features a 5,000 square foot Conference Center, an Inn with a restaurant, an 18-hole golf course, an Olympic-sized swimming pool, rental cabins and lodges, 34 miles of hiking trails and many campsites and picnic areas.

Source: Tennessee State Parks.

RECENT DEVELOPMENTS

Volkswagen. Announced in 2014, Volkswagen invested an additional \$600 million to the \$1 billion plant already operational in the City of Chattanooga. This expansion is to produce a new sport utility vehicle called the CrossBlue and will create an additional 2,000 new jobs for the plant. It is expected to be in production by 2017. The plant's work force was 2,700 at the middle of 2014. Also, Volkswagen will build a new research and development center near the automotive plant that will employ 200. This large expansion comes a year after Volkswagen laid off 500 workers in 2013 due to slower than expected sales growth. In 2012 Volkswagen hired an additional 800 employees for the production of the Passat sedan.

In 2011 the German automaker completed the \$1 billion plant in the Enterprise South industrial park located about 10 miles from Cleveland in Chattanooga. This \$1 billion plant is the largest single manufacturing investment ever for the City of Chattanooga. This is the first U.S. assembly plant for VW. A study by the University of Tennessee's Center for Business and Economic Research estimated the plant and suppliers will create new tax revenue of nearly \$1.4 billion and create 11,477 jobs. The Chattanooga plant is a key part of the carmaker's long-term plan to nearly quadruple its U.S. sales to about 800,000 annually by 2018. In addition to the plant, the City built a \$40 million Volkswagen Training Center in the City.

In 2012 construction was completed on the largest solar park in the state. The \$30 million, 9.5 megawatts park supplies power to the Volkswagen plant. Upon completion, the park provides up to 12.5 percent of the VW plant's power. The solar park is privately run by two companies, Phoenix Solar and Silicon Ranch Corp headquartered in Germany and Nashville, TN respectively.

Wacker Polysilicon. The German chemical company, Wacker Polysilicon, is constructing a plant in Bradley County to make hyperpure polycrystalline silicon to be used mainly in the solar energy industry. The plant is built on a 550-acre site near Hiwassee Industrial Park in Cleveland. The plant is expected to cost up to \$2.4 billion with over 2,500 employees working on site during construction. The plant is expected to be completed in December 2015 and have about 650 employees when operating. About 300 employees are working full-time at the site as of 2013 even though construction is not completed. Wacker has graduated several lead chemical operator and technicians from its Wacker Institute at the Chattanooga State Community College since the program started in 2013.

Polycrystalline silicon is used in thousands of products including solar panels, paints, silicon wafers for semiconductors, coating and shampoo. The plant is expected to produce 20,000 tons per year of hyperpure polysilicon. The plant will use chlorine that will be supplied the adjacent Olin Chemical through a pipeline that will connect the plants.

There are several solar-related plants planned or already located in Tennessee: the solar panel manufacturer Sharp in Memphis; AGC Flat Glass, a solar glass manufacturer with plants in Sullivan and Hawkins Counties, Hemlock Semiconductor Corp., a \$1.2 billion facility in Montgomery County that currently has its production on hold; and Wacker Polysilicon.

Source: The Cleveland Banner, Chattanooga Times Free Press and Knoxville News Sentinel.

[This page was left blank intentionally]

BLEDSOE COUNTY, TENNESSEE
Summary of Long Term Indebtedness
As of April 15, 2016

| Amount Issued | Purpose | Due Date | Interest Rate (s) | OUTSTANDING as of June 30, 2015 (1) |
|----------------------|---|---------------|-------------------|-------------------------------------|
| \$ 8,790,000 | (3) General Obligation Bonds, Series 2009 | June 2041 | Fixed | \$ 7,970,000 |
| 5,850,000 | (2) General Obligation Refunding Bonds, Series 2011 | October 2026 | Fixed | 4,765,000 |
| 7,115,000 | (2) General Obligation Bonds, Series 2013 | December 2038 | Fixed | 6,650,000 |
| 214,200 | (3) Loan Agreement, Series 2012 | March 2019 | Fixed | 119,674 |
| 100,000 | (4) Capital Outlay Note, Series 2012 (Highways) | March 2017 | Fixed | 42,000 |
| \$ 22,069,200 | EXISTING DEBT | | | \$ 19,546,674 |
| \$ 8,025,000 | General Obligation Refunding Bonds, Series 2016 | June 2041 | Fixed | \$ 8,025,000 |
| (8,790,000) | Less: Refunded Bonds | | | (7,250,000) |
| <u>\$ 21,304,200</u> | NET BONDED DEBT | | | <u>\$ 20,321,674</u> |

NOTES:

- (1) The above figures may not include short-term notes or lease outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) Payable through the Education Debt Service Fund
- (3) Payable through the General Debt Service Fund
- (4) Payable through the Highway/Public Works Fund

| Debt Payable through General Purpose School Fund | | | | |
|---|-----------------------------------|---------------|-------------------|-------------------------------------|
| Amount Issued | Purpose | Due Date | Interest Rate (s) | OUTSTANDING as of June 30, 2015 (1) |
| \$ 412,269 | Capital Outlay Notes, Series 2009 | December 2021 | Fixed | \$ 253,785 |
| 500,000 | Loan Agreement, Series 2011 | May 2018 | Zero | 208,352 |
| <u>\$ 912,269</u> | TOTAL SCHOOL BONDED DEBT | | | <u>\$ 462,137</u> |

BLEDSOE COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS, attached herein 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.

| | For Fiscal Years Ended June 30 | | | | Post Issuance | |
|------------------------------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| INDEBTEDNESS | | | | | | |
| TAX SUPPORTED | | | | | | |
| General Obligation Bonds & Notes * | \$ 18,125,000 | \$ 18,060,222 | \$ 22,035,313 | \$ 20,530,849 | \$ 19,546,674 | \$ 20,321,674 |
| TOTAL TAX SUPPORTED | \$ 18,125,000 | \$ 18,060,222 | \$ 22,035,313 | \$ 20,530,849 | \$ 19,546,674 | \$ 20,321,674 |
| TOTAL DEBT | \$ 18,125,000 | \$ 18,060,222 | \$ 22,035,313 | \$ 20,530,849 | \$ 19,546,674 | \$ 20,321,674 |
| Less: Revenue Supported Debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Less: Debt Service Funds | (687,289) | (481,270) | (893,293) | (1,122,420) | (1,227,393) | (1,227,393) |
| NET DIRECT DEBT | \$ 17,437,711 | \$ 17,578,952 | \$ 21,142,020 | \$ 19,408,429 | \$ 18,319,281 | \$ 19,094,281 |

| PROPERTY TAX BASE | | | | | | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Estimated Actual Value | \$ 784,208,691 | \$ 764,754,592 | \$ 763,091,367 | \$ 779,214,388 | \$ 768,228,193 | \$ 768,228,193 |
| Appraised Value | 739,430,375 | 764,754,592 | 763,091,367 | 767,526,172 | 768,228,193 | 768,228,193 |
| Assessed Value | 197,062,764 | 204,666,303 | 203,504,843 | 204,750,276 | 204,996,177 | 204,996,177 |

* - Excludes debt payable through General Purpose School Fund

For Fiscal Years Ended June 30

Post Issuance

| DEBT RATIOS | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| TOTAL DEBT to Estimated Actual Value | 2.31% | 2.36% | 2.89% | 2.63% | 2.54% | 2.65% |
| TOTAL DEBT to Appraised Value | 2.45% | 2.36% | 2.89% | 2.67% | 2.54% | 2.65% |
| TOTAL DEBT to Assessed Value | 9.20% | 8.82% | 10.83% | 10.03% | 9.54% | 9.91% |
| NET DIRECT DEBT to Estimated Actual Value | 2.22% | 2.30% | 2.77% | 2.49% | 2.38% | 2.49% |
| NET DIRECT DEBT to Appraised Value | 2.36% | 2.30% | 2.77% | 2.53% | 2.38% | 2.49% |
| NET DIRECT DEBT to Assessed Value | 8.85% | 8.59% | 10.39% | 9.48% | 8.94% | 9.31% |
| PER CAPITA RATIOS | | | | | | |
| POPULATION (1) | 12,842 | 12,792 | 12,841 | 13,931 | 13,931 | 13,931 |
| PER CAPITA PERSONAL INCOME (2) | \$20,541 | \$21,503 | \$20,379 | \$21,432 | \$21,432 | \$21,432 |
| Estimated Actual Value to POPULATION | \$61,066 | \$59,784 | \$59,426 | \$55,934 | \$55,145 | \$55,145 |
| Assessed Value to POPULATION | \$15,345 | \$16,000 | \$15,848 | \$14,697 | \$14,715 | \$14,715 |
| Total Debt to POPULATION | \$1,411 | \$1,412 | \$1,716 | \$1,474 | \$1,403 | \$1,459 |
| Net Direct Debt to POPULATION | \$1,358 | \$1,374 | \$1,646 | \$1,393 | \$1,315 | \$1,371 |
| Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 6.87% | 6.57% | 8.42% | 6.88% | 6.55% | 6.81% |
| Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 6.61% | 6.39% | 8.08% | 6.50% | 6.14% | 6.40% |

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

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

BLEDSON COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Purpose
School Fund excludes County Government Debt
As of June 30, 2015

| F.Y. Ended <u>6/30</u> | Total General Purpose School Debt Service Requirements (1) | | | % Principal Repaid |
|------------------------------|---|------------------|-------------------|--------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>TOTAL</u> | |
| 2016 | \$ 105,341 | \$ 11,833 | \$ 117,174 | 22.79% |
| 2017 | 107,091 | 10,083 | 117,174 | 45.97% |
| 2018 | 102,977 | 8,277 | 111,254 | 68.25% |
| 2019 | 39,370 | 6,380 | 45,750 | 76.77% |
| 2020 | 41,353 | 4,397 | 45,750 | 85.72% |
| 2021 | 43,458 | 2,292 | 45,750 | 95.12% |
| 2022 | 22,547 | 328 | 22,875 | 100.00% |
| 2041 | - | - | - | 100.00% |
| | <u>\$ 462,137</u> | <u>\$ 43,590</u> | <u>\$ 505,727</u> | |

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS herein. Excludes General Government Debt.

FINANCIAL OPERATIONS

INTRODUCTION

As required by generally accepted accounting principles (GAAP), all County funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The County's financial reporting system is designed to provide timely, accurate feedback on the County's overall financial position and includes, at a minimum, quarterly reports to the County Council. All County financial statements are audited annually by independent certified public accountants.

FUND BALANCES AND RETAINED EARNINGS

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

| | <u>For fiscal year ending June 30</u> | | | | |
|----------------------------|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <u>Fund Type</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| <i>Governmental Funds:</i> | | | | | |
| General | \$215,842 | \$1,746,677 | \$1,935,588 | \$2,228,877 | \$1,902,639 |
| Ambulance Service | 183,959 | 226,378 | 129,230 | 76,912 | 65,738 |
| Highway/Public Works | 30,280 | 176,763 | 214,677 | (206,705) | 415,125 |
| General Debt Service | 687,289 | 481,270 | 520,134 | 631,259 | 721,337 |
| Other Governmental | <u>623,129</u> | <u>347,220</u> | <u>364,994</u> | <u>404,037</u> | <u>302,561</u> |
| Total | <u>\$1,740,499</u> | <u>\$2,978,308</u> | <u>\$3,164,623</u> | <u>\$3,134,380</u> | <u>\$3,407,400</u> |

Source: Comprehensive Annual Financial Reports of the Bledsoe County, Tennessee.

[balance of page left blank]

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

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Revenues: | | | | | |
| Local Taxes | \$ 2,006,379 | \$ 2,666,834 | \$ 2,230,067 | \$ 2,372,323 | \$ 2,279,528 |
| Licenses and Permits | 9,773 | 11,115 | 10,745 | 9,619 | 9,753 |
| Fines, Forfeitures & Penalties | 35,971 | 36,742 | 44,796 | 41,854 | 45,459 |
| Charges for current services | 12,054 | 30,074 | 30,450 | 22,503 | 28,102 |
| Other local revenue | 146,936 | 197,517 | 188,414 | 201,704 | 230,495 |
| Fees Recv'd from County Officials | 406,682 | 417,890 | 420,125 | 442,686 | 385,273 |
| State of Tennessee | 585,018 | 1,168,567 | 1,315,881 | 1,299,995 | 1,312,900 |
| Federal Government | 13,160 | 170,446 | 59,700 | 3,855 | 5,625 |
| Other Governments & Citizens Groups | 37,729 | 39,197 | - | - | - |
| Total Revenues | <u>\$ 3,253,702</u> | <u>\$ 4,738,382</u> | <u>\$ 4,300,178</u> | <u>\$ 4,394,539</u> | <u>\$ 4,297,135</u> |
| Expenditures: | | | | | |
| General government | \$ 689,388 | \$ 691,209 | \$ 764,063 | \$ 809,497 | \$ 936,521 |
| Finance | 353,813 | 331,089 | 345,438 | 359,412 | 379,632 |
| Administration of Justice | 421,482 | 438,138 | 442,422 | 478,788 | 484,563 |
| Public Safety | 1,416,119 | 1,776,377 | 1,972,747 | 1,962,570 | 2,182,646 |
| Public Health & Welfare | 143,390 | 142,041 | 162,019 | 224,611 | 294,712 |
| Social, Cultural, & Recreational Services | 82,325 | 98,208 | 93,641 | 85,635 | 103,689 |
| Agricultural & Natural Resources | 64,397 | 62,128 | 69,346 | 58,406 | 68,257 |
| Other Operations | 17,563 | 12,485 | 34,948 | 29,461 | 70,538 |
| Highways | - | - | - | - | - |
| Debt Service | - | - | - | - | - |
| Capital Projects | - | - | - | - | - |
| Total Expenditures | <u>\$ 3,188,477</u> | <u>\$ 3,551,675</u> | <u>\$ 3,884,624</u> | <u>\$ 4,008,380</u> | <u>\$ 4,520,558</u> |
| Other Sources & Uses: | | | | | |
| Lease / Note Proceeds | \$ - | \$ - | \$ - | \$ - | \$ - |
| Insurance Recovery | 667 | - | - | - | - |
| Sale of Capital Assets | - | - | - | - | 2,185 |
| Operating Transfers - In | 21,955 | 344,128 | - | - | - |
| Operating Transfers - Out | - | - | (50,000) | (92,870) | (105,000) |
| Total Sources & Uses | <u>\$ 22,622</u> | <u>\$ 344,128</u> | <u>\$ (50,000)</u> | <u>\$ (92,870)</u> | <u>\$ (102,815)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 65,225 | \$ 1,186,707 | \$ 415,554 | \$ 386,159 | \$ (223,423) |
| Net Change in Fund Balances | \$ 87,847 | \$ 1,530,835 | \$ 365,554 | \$ 293,289 | \$ (326,238) |
| Fund Balance July 1 | 127,995 | 215,842 | 1,746,677 | 1,935,588 | 2,228,877 |
| Adjustments | - | - | (176,643) | - | - |
| Residual Equity Transfers | - | - | - | - | - |
| Fund Balance June 30 | <u><u>\$ 215,842</u></u> | <u><u>\$ 1,746,677</u></u> | <u><u>\$ 1,935,588</u></u> | <u><u>\$ 2,228,877</u></u> | <u><u>\$ 1,902,639</u></u> |

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

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.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by state statute and local policies and administered by the Finance Director. 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.

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

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

Valuation for Property Tax Purposes

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

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State

Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

Assessed Valuations. According to the Tax Aggregate Report, property in the County and County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2014¹.

| <u>Class</u> | <u>Estimated Assessed Valuation</u> | <u>Assessment Rate</u> | <u>Estimated Actual Value</u> |
|----------------------------|-------------------------------------|------------------------|-------------------------------|
| Public Utilities | \$ 13,648,777 | 55% | \$ 31,268,676 |
| Commercial and Industrial | 17,379,840 | 40% | 43,449,600 |
| Personal Tangible Property | 3,540,485 | 30% | 11,801,617 |
| Residential and Farm | <u>170,427,075</u> | 25% | <u>681,708,300</u> |
| TOTAL | <u>\$204,996,177</u> | | <u>\$768,228,193</u> |

Source: 2014 Tax Aggregate Report of Tennessee.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2015 (tax year 2014) is \$204,996,177 compared to \$204,750,276 for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value of all taxable property for the tax year 2014 increased to \$768,228,193 from a 2013 tax year level of \$779,214,388.

[balance of page left blank]

¹The tax year coincides with the calendar year, therefore tax year 2014 is actually fiscal year 2014-2015.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year as of June 30, 2015.

| PROPERTY TAX RATES AND COLLECTIONS | | | | Fiscal Yr Collections | | Aggregate Uncollected Balance | |
|------------------------------------|--------------------|-----------|--------------|-----------------------|-------|-------------------------------|------|
| Tax Year ¹ | Assessed Valuation | Tax Rates | Taxes Levied | Amount | Pct | As of June 30, 2015 | |
| | | | | | | Amount | Pct |
| 2011 | \$204,666,303 | \$2.0662 | \$3,944,767 | \$3,463,464 | 87.8% | N/A | |
| 2012 | 203,504,843 | 2.0662 | 4,204,869 | 4,875,713 | 96.9% | N/A | |
| 2013 | 204,750,276 | 2.2162 | 4,531,998 | 4,096,042 | 90.4% | N/A | |
| 2014 | 204,996,177 | 2.2162 | 4,235,174 | 4,046,574 | 95.5% | \$188,600 | 4.5% |
| 2015 | 192,603,626 | 2.2162 | 4,265,360 | IN PROGRESS | | | |

¹The tax year coincides with the calendar year, therefore tax year 2015 is actually fiscal year 2015-2016.

Largest Taxpayers. For the fiscal year ending June 30, 2015 (tax year 2014), the largest taxpayers in the County are as follows:

| <u>Taxpayer</u> | <u>Business Type</u> | <u>Taxes Paid</u> |
|------------------------------|----------------------|-------------------------|
| 1. Sequachee Valley Electric | Power | \$149,043 |
| 2. Bledsoe Telephone | Telecommunications | 115,282 |
| 3. Hubbard Farms | Poultry | 42,368 |
| 4. Sequatchie LLC. | | 29,493 |
| 5. Bowater Incorporated | Real Estate | 29,225 |
| 6. Pikeville Townhouses | Real Estate | 22,681 |
| 7. Volunteer Energy Coop | Utility | 21,853 |
| 8. J.W. Gardner | Real Estate | 14,941 |
| 9. Swafford Ronald | Real Estate | 14,921 |
| 10. Fellers Schewe & Scott | Real Estate | <u>14,904</u> |
| TOTAL | | <u>\$454,631</u> |

Source: The County.

LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended, (the "Act"), the County levies a county-wide local option sales tax.

Under the Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or County is limited under State law to two and three-fourths percent (2^{3/4}%).

Pursuant to the Act, the levy of a sales tax by a county precludes any County from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2^{3/4}%). If a city is located in more than one county, each portion of the County that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

Normally, the Act requires revenues collected from the Sales Tax to be distributed in accordance with the Act which specifies that fifty percent (50%) of all such revenues raised be directed to educational purposes for all school systems in the county based upon the average daily attendance of each school system. The remaining balance of such tax collections then are required to be divided between the general fund of the county in which the taxes are collected and all incorporated cities or towns in such county based upon the situs of collection unless other agreements allowed by the Act are entered into between the county and its respective jurisdictions. The current tax rate for Bledsoe County is two and one quarter percent (2^{1/4}%). The County does not levy a sales tax in addition to the County rate.

County receipts from the local option sales tax are as follows for the five most recent fiscal years:

| | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
|--------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| General Government | \$ 75,698 | \$ 78,166 | \$ 67,474 | \$ 80,423 | \$ 90,530 |
| City | 180,714 | 182,380 | 192,121 | 188,981 | 186,755 |
| School Department | <u>624,971</u> | <u>641,884</u> | <u>624,380</u> | <u>659,401</u> | <u>685,748</u> |
| TOTAL | <u>\$881,383</u> | <u>\$902,430</u> | <u>\$883,975</u> | <u>\$928,805</u> | <u>\$963,033</u> |

Source: Comprehensive Annual Financial Reports of the Bledsoe County, Tennessee.

The Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted by the Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent. The security provisions for the Bonds do not include a pledge of available local option sales tax revenues as additional security.

PENSION PLAN

Employees of Bledsoe 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 Bledsoe 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 on the funding status, trend information and actuarial status of the County's retirement programs, please refer to the General Purpose Financial Statements of the County located in herein.

[balance of page left blank]

GENERAL PURPOSE FINANCIAL STATEMENTS

THE BLEDSOE COUNTY, TENNESSEE

ANNUAL FINANCIAL REPORT
BLEDSON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



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

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

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

**STEVE REEDER, CPA, CGFM, CFE
Audit Manager**

**MICHAEL FORD, CPA, CGFM
Auditor 4**

**DEVAN MCDOWELL, CFE
JENI PALADENI, CISA
State Auditors**

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

BLEDSOE COUNTY, TENNESSEE

TABLE OF CONTENTS

| | Exhibit | Page(s) |
|---|---------|---------|
| Summary of Audit Findings | | 6-7 |
| <u>INTRODUCTORY SECTION</u> | | 8 |
| Bledsoe County Officials | | 9 |
| <u>FINANCIAL SECTION</u> | | 10 |
| Independent Auditor's Report | | 11-14 |
| BASIC FINANCIAL STATEMENTS: | | 15 |
| Government-wide Financial Statements: | | |
| Statement of Net Position | A | 16-17 |
| Statement of Activities | B | 18-19 |
| Fund Financial Statements: | | |
| Governmental Funds: | | |
| Balance Sheet | C-1 | 20-21 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | C-2 | 22 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | C-3 | 23-24 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | C-4 | 25 |
| Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget: | | |
| General Fund | C-5 | 26-27 |
| Ambulance Service Fund | C-6 | 28 |
| Highway/Public Works Fund | C-7 | 29 |
| Fiduciary Funds: | | |
| Statement of Fiduciary Assets and Liabilities | D | 30 |
| Index and Notes to the Financial Statements | | 31-94 |
| REQUIRED SUPPLEMENTARY INFORMATION: | | 95 |
| Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government | E-1 | 96 |
| Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government | E-2 | 97 |
| Schedule of Contributions Based on Participation in the Teacher Retirement Plan of TCRS – Discretely Presented Bledsoe County School Department | E-3 | 98 |
| Schedule of Contributions Based on Participation in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Bledsoe County School Department | E-4 | 99 |
| Schedule of Proportionate Share of the Net Pension Asset in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Bledsoe County School Department | E-5 | 100 |

| | Exhibit | Page(s) |
|---|---------|---------|
| Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Bledsoe County School Department | E-6 | 101 |
| Notes to the Required Supplementary Information | | 102 |
| COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES: | | 103 |
| Nonmajor Governmental Funds: | | 104-105 |
| Combining Balance Sheet | F-1 | 106-109 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | F-2 | 110-113 |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget: | | |
| Solid Waste/Sanitation Fund | F-3 | 114 |
| Drug Control Fund | F-4 | 115 |
| Other Special Revenue Fund | F-5 | 116 |
| Major Governmental Fund: | | 117 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget: | | |
| General Debt Service Fund | G | 118 |
| Fiduciary Funds: | | 119 |
| Combining Statement of Fiduciary Assets and Liabilities | H-1 | 120 |
| Combining Statement of Changes in Assets and Liabilities – All Agency Funds | H-2 | 121 |
| Component Unit: | | |
| Discretely Presented Bledsoe County School Department: | | 122 |
| Statement of Activities | I-1 | 123 |
| Balance Sheet – Governmental Funds | I-2 | 124-125 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | I-3 | 126 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | I-4 | 127-128 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | I-5 | 129 |
| Combining Balance Sheet – Nonmajor Governmental Funds | I-6 | 130 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | I-7 | 131 |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget: | | |
| General Purpose School Fund | I-8 | 132-133 |
| School Federal Projects Fund | I-9 | 134 |
| Central Cafeteria Fund | I-10 | 135 |
| Education Debt Service Fund | I-11 | 136 |

| | Exhibit | Page(s) |
|---|---------|---------|
| Miscellaneous Schedules: | | 137 |
| Schedule of Changes in Long-term Bonds, Notes, Capital Lease, and Other Loans | J-1 | 138-139 |
| Schedule of Long-term Debt Requirements by Year | J-2 | 140-141 |
| Schedule of Transfers – Primary Government and Discretely Presented Bledsoe County School Department | J-3 | 142 |
| Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Bledsoe County School Department | J-4 | 143 |
| Schedule of Detailed Revenues – All Governmental Fund Types | J-5 | 144-154 |
| Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Bledsoe County School Department | J-6 | 155-157 |
| Schedule of Detailed Expenditures – All Governmental Fund Types | J-7 | 158-172 |
| Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Bledsoe County School Department | J-8 | 173-182 |
| Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund | J-9 | 183 |

SINGLE AUDIT SECTION

| | | |
|---|--|---------|
| | | 184 |
| Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | | 185-186 |
| Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 | | 187-189 |
| Schedule of Expenditures of Federal Awards and State Grants | | 190-191 |
| Schedule of Audit Findings Not Corrected | | 192 |
| Schedule of Findings and Questioned Costs | | 193-200 |
| Best Practice | | 201 |
| Auditee Reporting Responsibilities | | 202 |

Summary of Audit Findings

Annual Financial Report
Bledsoe County, Tennessee
For the Year Ended June 30, 2015

Scope

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

Results

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

Our audit resulted in eight findings and recommendations, which we have reviewed with Bledsoe 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 COUNTY MAYOR

- ◆ The General and the Community Development/Industrial Park funds required material audit adjustments for proper financial statement presentation.
- ◆ The office did not document some credit card charges.
- ◆ Some purchases were not competitively bid.

OFFICE OF ROAD SUPERINTENDENT

- ◆ General ledger payroll deduction accounts were not reconciled with payroll reports and payments.
- ◆ The office had deficiencies in purchasing procedures.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

- ◆ Some office employees used county equipment and county time for their personal benefit.
-

OFFICE OF SHERIFF

- ◆ The office had deficiencies in receipts, deposits, and disbursements.
-

AMBULANCE SERVICE; LIBRARY; AND THE OFFICES OF COUNTY MAYOR; ROAD SUPERINTENDENT; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; AND SHERIFF

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Bledsoe County Officials
June 30, 2015

Officials

Gregg Ridley, County Mayor
Marvin Smith, Road Superintendent
Jennifer Terry, Director of Schools
Deanna Rains, Trustee
Allen Nail, Assessor of Property
Carolyn Terry, County Clerk
Michael Walker, Circuit, General Sessions, and Juvenile Courts Clerk
Greg Forgey, Clerk and Master
Emma Boynton, Register of Deeds
James Morris, Sheriff

Board of County Commissioners

Craig Mercer, Chairman
Shayne Bickford
William Cartwright
Tim Campbell
Matthew Colvard
Junior Hankins
Ronnie Hudson

Robert Reese
Tanya Roberson
Ronald Sapp
Roger Simmons
Perry Swafford
Aaron Yeargan

Board of Education

Charlie Young, Chairman
Bobby Angel
Bennett Boynton
Stacy Farmer

Vincent Pendegrass
Donald Snow
Alfred Terry

Audit Committee

Elizabeth Turner, Chairman
Phil Crawford
Mitzi Hankins

FINANCIAL SECTION



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

Independent Auditor's Report

Bledsoe County Mayor and
Board of County Commissioners
Bledsoe 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 Bledsoe County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bledsoe County Nursing Home, which represent 5.23 percent, 16.84 percent, and 13.43 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Bledsoe County Emergency Communications District, which represent 4.81 percent, 20.21 percent, and 2.32 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us,

and our opinion, insofar as it relates to the amounts included for the Bledsoe County Nursing Home and the Bledsoe County Emergency Communications District is based solely on the reports of the other auditors. 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, based on our audit and the report of other auditors, 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 Bledsoe County, Tennessee, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General, Ambulance Service, 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., Bledsoe County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note I.D.8. to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by \$275,495 and the discretely presented Bledsoe County School Department net position by \$2,850,259 on the Government-

wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans on pages 96-102 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 Bledsoe County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Bledsoe County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Bledsoe County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been

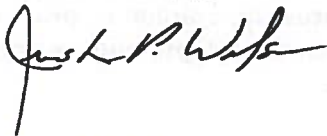
subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of Bledsoe County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bledsoe County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 20, 2015

JPW/kp

BASIC FINANCIAL STATEMENTS

| | 2019 | 2018 | 2017 | 2016 | |
|--------------------------------|------------|------------|------------|------------|--|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | 1,234,567 | 1,123,456 | 1,012,345 | 901,234 | |
| Accounts receivable | 2,345,678 | 2,234,567 | 2,123,456 | 2,012,345 | |
| Inventory | 3,456,789 | 3,345,678 | 3,234,567 | 3,123,456 | |
| Prepaid expenses | 456,789 | 445,678 | 434,567 | 423,456 | |
| Other current assets | 567,890 | 556,789 | 545,678 | 534,567 | |
| Non-current Assets | | | | | |
| Property, plant, and equipment | 10,123,456 | 10,234,567 | 10,345,678 | 10,456,789 | |
| Intangible assets | 1,234,567 | 1,345,678 | 1,456,789 | 1,567,890 | |
| Other non-current assets | 234,567 | 245,678 | 256,789 | 267,890 | |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 1,234,567 | 1,345,678 | 1,456,789 | 1,567,890 | |
| Short-term debt | 2,345,678 | 2,456,789 | 2,567,890 | 2,678,901 | |
| Other current liabilities | 345,678 | 356,789 | 367,890 | 378,901 | |
| Non-current Liabilities | | | | | |
| Long-term debt | 4,567,890 | 4,678,901 | 4,789,012 | 4,890,123 | |
| Other non-current liabilities | 567,890 | 578,901 | 589,012 | 590,123 | |
| Equity | | | | | |
| Common stock | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | |
| Retained earnings | 12,345,678 | 11,234,567 | 10,123,456 | 9,012,345 | |
| Other equity | 234,567 | 245,678 | 256,789 | 267,890 | |

Exhibit A

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

| | Component Units | | | |
|---|----------------------|----------------------|---------------------|---------------------|
| | Primary | Bledsoe | Bledsoe | Emergency |
| | Governmental | County | County | Communica- |
| Governmental | School | Nursing | tions | |
| Activities | Department | Home | District | |
| ASSETS | | | | |
| Cash | \$ 23,222 | \$ 15,094 | \$ 582,047 | \$ 794,962 |
| Equity in Pooled Cash and Investments | 3,126,995 | 4,275,803 | 0 | 0 |
| Accounts Receivable | 653,756 | 0 | 316,462 | 0 |
| Allowance for Uncollectible | (389,271) | 0 | (92,000) | 0 |
| Due from Other Governments | 534,875 | 206,926 | 0 | 0 |
| Due from Component Units | 11,877,137 | 0 | 0 | 0 |
| Prepaid Items | 0 | 0 | 17,386 | 866 |
| Property Taxes Receivable | 3,330,946 | 1,988,679 | 0 | 0 |
| Allowance for Uncollectible Property Taxes | (261,998) | (156,421) | 0 | 0 |
| Net Pension Asset - Agent Plan | 3,809 | 6,755 | 1,472 | 0 |
| Net Pension Asset - Cost-sharing Plan | 0 | 29,683 | 0 | 0 |
| Other Assets | 0 | 0 | 8,295 | 0 |
| Capital Assets: | | | | |
| Assets Not Depreciated: | | | | |
| Land | 101,140 | 375,847 | 0 | 0 |
| Construction in Progress | 0 | 0 | 0 | 55,930 |
| Assets Net of Accumulated Depreciation: | | | | |
| Buildings and Improvements | 6,908,488 | 11,259,396 | 229,526 | 67,251 |
| Infrastructure | 4,401,911 | 96,169 | 0 | 0 |
| Other Capital Assets | 601,815 | 993,414 | 47,702 | 101,093 |
| Total Assets | <u>\$ 30,912,825</u> | <u>\$ 19,091,346</u> | <u>\$ 1,110,890</u> | <u>\$ 1,020,102</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Charge on Refunding | \$ 86,015 | \$ 141,639 | \$ 0 | \$ 0 |
| Pension Changes in Experience | 0 | 72,063 | 0 | 0 |
| Pension Other Deferrals | 0 | 6,556 | 0 | 0 |
| Pension Contributions After Measurement Date | 211,201 | 877,016 | 68,786 | 0 |
| Total Deferred Outflows of Resources | <u>\$ 297,216</u> | <u>\$ 1,097,273</u> | <u>\$ 68,786</u> | <u>\$ 0</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 162,030 | \$ 18,025 | \$ 89,085 | \$ 0 |
| Accrued Payroll | 0 | 0 | 59,748 | 0 |
| Payroll Deductions Payable | 2,387 | 1,261 | 0 | 0 |
| Accrued Interest Payable | 72,875 | 0 | 0 | 0 |
| Customer Deposits Payable | 0 | 2,625 | 8,295 | 0 |
| Due to Primary Government | 0 | 11,877,137 | 0 | 0 |
| Due to State of Tennessee | 0 | 9 | 0 | 0 |
| Other Current Liabilities | 0 | 0 | 58,200 | 0 |
| Noncurrent Liabilities: | | | | |
| Due Within One Year | 1,139,720 | 0 | 0 | 0 |
| Due in More Than One Year (net of unamortized premiums on debt) | 19,259,317 | 414,578 | 0 | 0 |
| Total Liabilities | <u>\$ 20,636,329</u> | <u>\$ 12,313,635</u> | <u>\$ 215,328</u> | <u>\$ 0</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Current Property Taxes | \$ 2,890,842 | \$ 1,725,923 | \$ 0 | \$ 0 |
| Pension Changes in Experience | 2,147 | 3,807 | 830 | 0 |
| Pension Changes in Investment Earnings | 294,491 | 2,967,876 | 113,795 | 0 |
| Total Deferred Inflows of Resources | <u>\$ 3,187,480</u> | <u>\$ 4,697,606</u> | <u>\$ 114,625</u> | <u>\$ 0</u> |

(Continued)

Exhibit A

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

| | Primary Governmental Activities | Component Units | | |
|----------------------------------|---------------------------------------|---|--------------------------------------|--|
| | | Bledsoe County School Department | Bledsoe County Nursing Home | Emergency Communica- tions District |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 3,732,592 | \$ 12,866,465 | \$ 277,228 | \$ 224,274 |
| Restricted for: | | | | |
| General Government | 87,696 | 0 | 0 | 0 |
| Finance | 2,784 | 0 | 0 | 0 |
| Administration of Justice | 45,049 | 0 | 0 | 0 |
| Public Safety | 114,275 | 0 | 0 | 0 |
| Public Health and Welfare | 458,735 | 0 | 0 | 0 |
| Highways | 536,271 | 0 | 0 | 0 |
| Debt Service | 764,928 | 0 | 0 | 0 |
| Education | 0 | 2,089,963 | 0 | 0 |
| Other Purposes | 3,809 | 0 | 0 | 0 |
| Unrestricted | 1,640,093 | (1,779,051) | 572,495 | 795,828 |
| Total Net Position | \$ 7,386,232 | \$ 3,177,377 | \$ 849,723 | \$ 1,020,102 |

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

Exhibit B

Bledsoe County, Tennessee
Statement of Activities
For the Year Ended June 30, 2015

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | | | | | | | | | | | | |
|--|---|----------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|-----------------------------|-----------------------------------|----------------------------------|-----------------------------|-----------------------------------|------|------------|------|
| | Program Revenues | | | | | Primary Government | | | | | Component Units | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities | Bledsoe County School Department | Bledsoe County Nursing Home | Emergency Communications District | Bledsoe County School Department | Bledsoe County Nursing Home | Emergency Communications District | | | |
| Primary Government: | | | | | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | | | | | |
| General Government | \$ 1,053,467 | \$ 77,127 | \$ 40,082 | \$ 0 | \$ (936,258) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Finance | 355,651 | 236,439 | 0 | 0 | (119,212) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Administration of Justice | 467,653 | 169,029 | 0 | 0 | (308,624) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety | 2,533,168 | 1,108,483 | 20,025 | 0 | (1,404,660) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Health and Welfare | 1,905,052 | 0 | 141,558 | 212,649 | (1,550,845) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social, Cultural, and Recreational Services | 134,933 | 2,039 | 0 | 0 | (132,894) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Agriculture and Natural Resources | 68,094 | 0 | 0 | 0 | (68,094) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Highways/Public Works | 1,683,764 | 0 | 1,553,724 | 656,731 | 526,691 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on Long-term Debt | 637,662 | 0 | 0 | 0 | (637,662) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Education (Contributions from Component Unit) | 0 | 0 | 0 | 310,275 | 310,275 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Governmental Activities | \$ 8,839,434 | \$ 1,583,117 | \$ 1,755,369 | \$ 1,179,655 | \$ (4,321,273) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Total Primary Government | \$ 8,839,434 | \$ 1,583,117 | \$ 1,755,369 | \$ 1,179,655 | \$ (4,321,273) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Component Units: | | | | | | | | | | | | | | |
| Bledsoe County School Department | \$ 16,652,076 | \$ 141,031 | \$ 2,524,770 | \$ 0 | \$ 0 | \$ (13,986,275) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Bledsoe County Nursing Home | 2,637,017 | 2,715,965 | 0 | 0 | 0 | 0 | 0 | 0 | 78,948 | 0 | 0 | 0 | 0 | 0 |
| Bledsoe County Emergency Communications District | 268,140 | 277,107 | 217,494 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 226,461 | 0 |
| Total Component Units | \$ 19,557,233 | \$ 3,134,103 | \$ 2,742,264 | \$ 0 | \$ 0 | \$ (13,986,275) | \$ 78,948 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 226,461 | \$ 0 |

(Continued)

Exhibit B

Bledsoe County, Tennessee
Statement of Activities (Cont.)

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | | | | | |
|--|--|---|---|-------------------------------------|---|--------------------------------------|--|
| | Program Revenues | | | Primary Government | | Component Units | |
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities | Bledsoe County School Department | Bledsoe County Nursing Home | Emergency Communica- tions District |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes Levied for General Purposes | | | | \$ 2,051,881 | \$ 1,605,236 | \$ 0 | 0 |
| Property Taxes Levied for Solid Waste | | | | 261,894 | 0 | 0 | 0 |
| Property Taxes Levied for Debt Service | | | | 509,660 | 83,576 | 0 | 0 |
| Local Option Sales Taxes | | | | 90,530 | 687,843 | 0 | 0 |
| Litigation Tax - General | | | | 14,971 | 0 | 0 | 0 |
| Business Tax | | | | 37,134 | 0 | 0 | 0 |
| Wholesale Beer Tax | | | | 89,741 | 0 | 0 | 0 |
| Other Local Taxes | | | | 0 | 2,340 | 0 | 0 |
| Grants and Contributions Not Restricted to Specific Programs | | | | 103,034 | 12,859,998 | 140,000 | 0 |
| Unrestricted Investment Income | | | | 36,432 | 1,621 | 6,262 | 638 |
| Miscellaneous | | | | 77,808 | 18,466 | 0 | 0 |
| Pension Income | | | | 0 | 24,385 | 0 | 0 |
| Total General Revenues | | | | \$ 3,273,076 | \$ 15,263,445 | \$ 146,262 | \$ 638 |
| Change in Net Position | | | | \$ (1,048,196) | \$ 1,297,170 | \$ 225,200 | \$ 227,099 |
| Net Position, July 1, 2014 | | | | 8,708,925 | 4,730,468 | 730,978 | 793,003 |
| Restatement - See Note I.D.8. | | | | (275,495) | (2,850,259) | 0 | 0 |
| Restatement - See Note VI.M. | | | | 0 | 0 | (106,455) | 0 |
| Net Position, June 30, 2015 | | | | \$ 7,386,232 | \$ 3,177,377 | \$ 849,723 | \$ 1,020,102 |

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

Exhibit C-1

Bledsoe County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2015

| | Major Funds | | | | Nonmajor Funds | | Total Governmental Funds |
|--|---------------------|-------------------|------------------------|----------------------|----------------|--------------------|--------------------------|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other | Governmental Funds | |
| ASSETS | | | | | | | |
| Cash | \$ 0 | \$ 0 | \$ 18,426 | \$ 0 | \$ 0 | \$ 4,796 | \$ 23,222 |
| Equity in Pooled Cash and Investments | 1,768,498 | 65,776 | 279,345 | 719,637 | 0 | 298,789 | 3,126,995 |
| Accounts Receivable | 4,691 | 648,784 | 0 | 0 | 0 | 288 | 653,743 |
| Allowance for Uncollectibles | 0 | (389,271) | 0 | 0 | 0 | 0 | (389,271) |
| Due from Other Governments | 129,397 | 0 | 242,291 | 0 | 0 | 163,187 | 594,875 |
| Due from Other Funds | 4,808 | 13 | 0 | 0 | 0 | 0 | 4,921 |
| Property Taxes Receivable | 2,416,898 | 0 | 0 | 601,284 | 0 | 312,764 | 3,330,946 |
| Allowance for Uncollectible Property Taxes | (190,103) | 0 | 0 | (47,294) | 0 | (24,601) | (261,998) |
| Total Assets | \$ 4,129,189 | \$ 325,302 | \$ 540,062 | \$ 1,273,627 | \$ 0 | \$ 755,153 | \$ 7,023,393 |

LIABILITIES

| | | | | | | | |
|----------------------------|---------------|--------------|-----------------|-------------|-------------|-------------------|-------------------|
| Accounts Payable | \$ 0 | \$ 0 | \$ 1,609 | \$ 0 | \$ 0 | \$ 160,421 | \$ 162,030 |
| Payroll Deductions Payable | 155 | 50 | 2,182 | 0 | 0 | 0 | 2,387 |
| Due to Other Funds | 0 | 0 | 0 | 0 | 0 | 4,808 | 4,808 |
| Total Liabilities | \$ 155 | \$ 50 | \$ 3,791 | \$ 0 | \$ 0 | \$ 165,229 | \$ 169,225 |

DEFERRED INFLOWS OF RESOURCES

| | | | | | | | |
|--|---------------------|-------------------|-------------------|-------------------|-------------|-------------------|---------------------|
| Deferred Current Property Taxes | \$ 2,097,563 | \$ 0 | \$ 0 | \$ 521,839 | \$ 0 | \$ 271,440 | \$ 2,890,842 |
| Deferred Delinquent Property Taxes | 122,232 | 0 | 0 | 30,451 | 0 | 15,923 | 168,606 |
| Other Deferred/Unavailable Revenue | 6,600 | 259,514 | 121,146 | 0 | 0 | 0 | 387,260 |
| Total Deferred Inflows of Resources | \$ 2,226,395 | \$ 259,514 | \$ 121,146 | \$ 552,290 | \$ 0 | \$ 287,363 | \$ 3,446,708 |

(Continued)

Exhibit C-1

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

| | Major Funds | | | | Nonmajor Funds | | Total Governmental Funds |
|--|---------------------|-------------------|------------------------|----------------------|--------------------------|---------------------|--------------------------|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Governmental Funds | Governmental Funds | |
| FUND BALANCES | | | | | | | |
| Restricted: | | | | | | | |
| Restricted for General Government | \$ 43,542 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 43,542 |
| Restricted for Finance | 2,784 | 0 | 0 | 0 | 0 | 0 | 2,784 |
| Restricted for Administration of Justice | 45,049 | 0 | 0 | 0 | 0 | 0 | 45,049 |
| Restricted for Public Safety | 20,385 | 0 | 0 | 0 | 43,117 | 0 | 63,502 |
| Restricted for Public Health and Welfare | 18,781 | 0 | 0 | 0 | 0 | 0 | 18,781 |
| Restricted for Other Operations | 0 | 0 | 0 | 0 | 163,967 | 0 | 163,967 |
| Restricted for Highways/Public Works | 0 | 0 | 415,125 | 0 | 0 | 0 | 415,125 |
| Restricted for Capital Outlay | 0 | 0 | 0 | 0 | 44,154 | 0 | 44,154 |
| Restricted for Debt Service | 0 | 0 | 0 | 721,337 | 0 | 0 | 721,337 |
| Restricted for Capital Projects | 0 | 0 | 0 | 0 | 550 | 0 | 550 |
| Restricted for Other Purposes | 0 | 0 | 0 | 0 | 50,773 | 0 | 50,773 |
| Committed: | | | | | | | |
| Committed for Public Health and Welfare | 0 | 65,738 | 0 | 0 | 0 | 0 | 65,738 |
| Committed for Social, Cultural, and Recreational Services | 8,065 | 0 | 0 | 0 | 0 | 0 | 8,065 |
| Unassigned | 1,764,033 | 0 | 0 | 0 | 0 | 0 | 1,764,033 |
| Total Fund Balances | \$ 1,902,639 | \$ 65,738 | \$ 415,125 | \$ 721,337 | \$ 302,561 | \$ 3,407,400 | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 4,129,189 | \$ 325,302 | \$ 540,062 | \$ 1,273,627 | \$ 755,153 | \$ 7,023,333 | |

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

Exhibit C-2

Bledsoe County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

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

| | | | |
|---|----|------------------|------------------|
| Total fund balances - balance sheet - governmental funds (Exhibit C-1) | | \$ | 3,407,400 |
| | | | |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | | |
| Add: land | \$ | 101,140 | |
| Add: buildings and improvements net of accumulated depreciation | | 6,908,488 | |
| Add: infrastructure net of accumulated depreciation | | 4,401,911 | |
| Add: other capital assets net of accumulated depreciation | | <u>601,815</u> | 12,019,354 |
| | | | |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | | |
| Less: bonds payable | \$ | (19,385,000) | |
| Less: notes payable | | (295,785) | |
| Less: other loans payable | | (328,026) | |
| Less: capital lease payable | | (99,803) | |
| Less: accrued interest on bonds, notes, and other loans | | (72,875) | |
| Less: unamortized premium on debt | | (189,415) | |
| Less: compensated absences payable | | (50,958) | |
| Less: other postemployment benefits liability | | (50,050) | |
| Add: debt to be contributed by the School Department | | 11,877,137 | |
| Add: deferred amount on refunding | | <u>86,015</u> | (8,508,760) |
| | | | |
| (3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years: | | | |
| Add: deferred outflows of resources related to pensions | \$ | 211,201 | |
| Less: deferred inflows of resources related to pensions | | <u>(296,638)</u> | (85,437) |
| | | | |
| (4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds. | | | 3,809 |
| | | | |
| (5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | | <u>555,866</u> |
| | | | |
| Net position of governmental activities (Exhibit A) | | \$ | <u>7,386,232</u> |

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

**Bledsoe County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015**

| | Major Funds | | | | | Nonmajor Funds | | Total Governmental Funds |
|---|---------------------|-------------------|------------------------|----------------------|--------------------------|----------------------|--|--------------------------|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Governmental Funds | | | |
| Revenues | | | | | | | | |
| Local Taxes | \$ 2,279,528 | \$ 0 | \$ 0 | \$ 509,273 | \$ 264,909 | \$ 3,063,710 | | |
| Licenses and Permits | 9,753 | 0 | 0 | 2,392 | 1,239 | 13,374 | | |
| Fines, Forfeitures, and Penalties | 45,459 | 0 | 0 | 0 | 12,177 | 57,636 | | |
| Charges for Current Services | 28,102 | 879,278 | 0 | 0 | 4,399 | 911,779 | | |
| Other Local Revenues | 280,495 | 19 | 8,325 | 36,417 | 17,731 | 292,967 | | |
| Fees Received from County Officials | 385,273 | 0 | 0 | 0 | 0 | 385,273 | | |
| State of Tennessee | 1,312,900 | 0 | 1,786,342 | 56,614 | 64,724 | 3,220,580 | | |
| Federal Government | 5,625 | 0 | 427,167 | 0 | 399,621 | 832,413 | | |
| Other Governments and Citizens Groups | 0 | 0 | 0 | 1,184,012 | 183,000 | 1,367,012 | | |
| Total Revenues | \$ 4,297,135 | \$ 879,297 | \$ 2,221,834 | \$ 1,788,698 | \$ 947,800 | \$ 10,134,764 | | |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| General Government | \$ 936,521 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 936,521 | | |
| Finance | 379,632 | 0 | 0 | 0 | 0 | 379,632 | | |
| Administration of Justice | 484,563 | 0 | 0 | 0 | 2,357 | 486,920 | | |
| Public Safety | 2,182,646 | 0 | 0 | 0 | 278,458 | 2,461,104 | | |
| Public Health and Welfare | 294,712 | 905,611 | 0 | 0 | 370,541 | 1,570,864 | | |
| Social, Cultural, and Recreational Services | 103,689 | 0 | 0 | 0 | 0 | 103,689 | | |
| Agriculture and Natural Resources | 68,257 | 0 | 0 | 0 | 0 | 68,257 | | |
| Other Operations | 70,538 | 0 | 0 | 0 | 25,422 | 95,960 | | |
| Highways | 0 | 0 | 1,600,004 | 0 | 53,299 | 1,653,303 | | |
| Debt Service: | | | | | | | | |
| Principal on Debt | 0 | 0 | 0 | 1,067,912 | 0 | 1,067,912 | | |
| Interest on Debt | 0 | 0 | 0 | 654,160 | 0 | 654,160 | | |
| Other Debt Service | 0 | 0 | 0 | 11,408 | 0 | 11,408 | | |

(Continued)

Exhibit C-3

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

| | Major Funds | | | | Nonmajor Funds | | Total Governmental Funds |
|--|--------------|-------------------|------------------------|----------------------|----------------|--------------------|--------------------------|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other | Governmental Funds | |
| Expenditures (Cont.) | | | | | | | |
| Capital Projects | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 374,199 | \$ 374,199 |
| Total Expenditures | \$ 4,520,558 | \$ 905,611 | \$ 1,600,004 | \$ 1,733,480 | \$ 1,104,276 | \$ 9,863,929 | \$ 9,863,929 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (223,423) | \$ (26,314) | \$ 621,830 | \$ 55,218 | \$ (156,476) | \$ 270,835 | \$ 270,835 |
| Other Financing Sources (Uses) | | | | | | | |
| Proceeds from Sale of Capital Assets | \$ 2,185 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 2,185 |
| Transfers In | 0 | 50,000 | 0 | 34,860 | 55,000 | 139,860 | 139,860 |
| Transfers Out | (105,000) | (34,860) | 0 | 0 | 0 | (139,860) | (139,860) |
| Total Other Financing Sources (Uses) | \$ (102,815) | \$ 15,140 | \$ 0 | \$ 34,860 | \$ 55,000 | \$ 2,185 | \$ 2,185 |
| Net Change in Fund Balances | \$ (326,238) | \$ (11,174) | \$ 621,830 | \$ 90,078 | \$ (101,476) | \$ 273,020 | \$ 273,020 |
| Fund Balance, July 1, 2014 | 2,228,877 | 76,912 | (206,705) | 631,259 | 404,037 | 3,134,380 | 3,134,380 |
| Fund Balance, June 30, 2015 | \$ 1,902,639 | \$ 65,738 | \$ 415,125 | \$ 721,337 | \$ 302,561 | \$ 3,407,400 | \$ 3,407,400 |

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

Exhibit C-4

Bledsoe County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

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

| | | |
|---|--------------------|-----------------------|
| Net change in fund balances - total governmental funds (Exhibit C-3) | | \$ 273,020 |
| | | |
| (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows: | | |
| Add: capital assets purchased in the current period | \$ 287,297 | |
| Less: current-year depreciation expense | <u>(490,456)</u> | (203,159) |
| | | |
| (2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. | | |
| Less: net book value of capital assets disposed | | (85,393) |
| | | |
| (3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2015 | \$ 555,866 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2014 | <u>(2,033,541)</u> | (1,477,675) |
| | | |
| (4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) 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: contribution from the School Department for bonds, notes, and other loans | \$ (873,737) | |
| Less: change in deferred amount on refunding debt | (19,705) | |
| Add: change in premium on debt issuance | 7,884 | |
| Add: principal payments on bonds | 935,000 | |
| Add: principal payments on notes | 52,313 | |
| Add: principal payments on other loans | 100,599 | |
| Add: principal payments on capital lease | <u>26,355</u> | 228,709 |
| | | |
| (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 | \$ 16,498 | |
| Change in other postemployment benefits liability | (1,444) | |
| Change in compensated absences payable | 7,379 | |
| Change in net pension liability/asset | 279,304 | |
| Change in deferred outflows related to pensions | 211,201 | |
| Change in deferred inflows related to pensions | <u>(296,638)</u> | 216,300 |
| | | |
| Change in net position of governmental activities (Exhibit B) | | <u>\$ (1,048,198)</u> |

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

Exhibit C-5

Bledsoe County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2015

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| Revenues | | | | |
| Local Taxes | \$ 2,279,528 | \$ 2,298,783 | \$ 2,298,783 | \$ (19,255) |
| Licenses and Permits | 9,753 | 9,291 | 9,291 | 462 |
| Fines, Forfeitures, and Penalties | 45,459 | 40,209 | 40,209 | 5,250 |
| Charges for Current Services | 28,102 | 21,258 | 21,258 | 6,844 |
| Other Local Revenues | 230,495 | 149,147 | 149,147 | 81,348 |
| Fees Received from County Officials | 385,273 | 421,106 | 421,106 | (35,833) |
| State of Tennessee | 1,312,900 | 1,348,300 | 1,349,350 | (36,450) |
| Federal Government | 5,625 | 6,538 | 6,538 | (913) |
| Total Revenues | \$ 4,297,135 | \$ 4,294,632 | \$ 4,295,682 | \$ 1,453 |
| Expenditures | | | | |
| General Government | | | | |
| County Commission | \$ 66,339 | \$ 66,475 | \$ 66,475 | \$ 136 |
| Board of Equalization | 0 | 400 | 400 | 400 |
| County Mayor/Executive | 178,695 | 193,050 | 193,050 | 14,355 |
| County Attorney | 10,542 | 20,000 | 20,000 | 9,458 |
| Election Commission | 128,531 | 149,513 | 149,513 | 20,982 |
| Register of Deeds | 121,468 | 127,282 | 127,282 | 5,814 |
| County Buildings | 146,223 | 199,049 | 180,379 | 34,156 |
| Other General Administration | 284,723 | 322,624 | 321,824 | 37,101 |
| Finance | | | | |
| Property Assessor's Office | 130,252 | 169,223 | 169,223 | 28,971 |
| County Trustee's Office | 122,519 | 139,332 | 139,332 | 16,813 |
| County Clerk's Office | 126,861 | 137,013 | 137,013 | 10,152 |
| Administration of Justice | | | | |
| Circuit Court | 190,208 | 202,312 | 212,312 | 22,104 |
| General Sessions Court | 113,715 | 114,294 | 114,294 | 579 |
| Chancery Court | 138,979 | 157,104 | 157,104 | 18,125 |
| Juvenile Court | 41,661 | 52,108 | 52,108 | 10,447 |
| Public Safety | | | | |
| Sheriff's Department | 801,504 | 887,697 | 887,697 | 86,193 |
| Jail | 1,297,220 | 1,413,871 | 1,413,871 | 116,651 |
| Fire Prevention and Control | 41,214 | 60,500 | 60,500 | 19,286 |
| Rescue Squad | 10,000 | 10,000 | 10,000 | 0 |
| Other Emergency Management | 10,588 | 21,488 | 21,488 | 10,900 |
| County Coroner/Medical Examiner | 22,120 | 28,200 | 28,200 | 6,080 |
| Public Health and Welfare | | | | |
| Local Health Center | 64,759 | 56,399 | 66,919 | 2,160 |
| Nursing Home | 140,000 | 140,000 | 140,000 | 0 |
| Crippled Children Services | 0 | 971 | 971 | 971 |
| Other Local Health Services | 88,408 | 100,900 | 100,900 | 12,492 |
| General Welfare Assistance | 1,545 | 1,645 | 1,645 | 100 |
| Social, Cultural, and Recreational Services | | | | |
| Senior Citizens Assistance | 4,500 | 4,500 | 4,500 | 0 |
| Libraries | 82,374 | 85,552 | 85,552 | 3,178 |
| Parks and Fair Boards | 16,815 | 16,900 | 16,900 | 85 |
| Agriculture and Natural Resources | | | | |
| Agricultural Extension Service | 63,257 | 68,851 | 68,851 | 5,594 |
| Soil Conservation | 5,000 | 5,000 | 5,000 | 0 |

(Continued)

Exhibit C-5

Bledsoe 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 | |
| Expenditures (Cont.) | | | | |
| Other Operations | | | | |
| Other Economic and Community Development | \$ 35,556 | \$ 79,000 | \$ 79,000 | \$ 43,444 |
| Veterans' Services | 22,482 | 29,461 | 29,461 | 6,979 |
| Contributions to Other Agencies | 12,500 | 5,000 | 15,000 | 2,500 |
| Total Expenditures | \$ 4,520,558 | \$ 5,065,714 | \$ 5,066,764 | \$ 546,206 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (223,423) | \$ (771,082) | \$ (771,082) | \$ 547,659 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | \$ 2,185 | \$ 0 | \$ 0 | \$ 2,185 |
| Transfers In | 0 | 75,000 | 75,000 | (75,000) |
| Transfers Out | (105,000) | (55,000) | (105,000) | 0 |
| Total Other Financing Sources | \$ (102,815) | \$ 20,000 | \$ (30,000) | \$ (72,815) |
| Net Change in Fund Balance | \$ (326,238) | \$ (751,082) | \$ (801,082) | \$ 474,844 |
| Fund Balance, July 1, 2014 | 2,228,877 | 2,040,956 | 2,040,956 | 187,921 |
| Fund Balance, June 30, 2015 | \$ 1,902,639 | \$ 1,289,874 | \$ 1,239,874 | \$ 662,765 |

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

Exhibit C-6

Bledsoe County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2015

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|--------------------|---------------------|---------------------|--|
| | | Original | Final | |
| Revenues | | | | |
| Charges for Current Services | \$ 879,278 | \$ 1,056,000 | \$ 1,056,000 | \$ (176,722) |
| Other Local Revenues | 19 | 0 | 0 | 19 |
| Total Revenues | \$ 879,297 | \$ 1,056,000 | \$ 1,056,000 | \$ (176,703) |
| Expenditures | | | | |
| Public Health and Welfare | | | | |
| Ambulance/Emergency Medical Services | \$ 905,611 | \$ 985,964 | \$ 985,964 | \$ 80,353 |
| Total Expenditures | \$ 905,611 | \$ 985,964 | \$ 985,964 | \$ 80,353 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (26,314) | \$ 70,036 | \$ 70,036 | \$ (96,350) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | \$ 50,000 | \$ 0 | \$ 0 | \$ 50,000 |
| Transfers Out | (34,860) | (34,860) | (34,860) | 0 |
| Total Other Financing Sources | \$ 15,140 | \$ (34,860) | \$ (34,860) | \$ 50,000 |
| Net Change in Fund Balance | \$ (11,174) | \$ 35,176 | \$ 35,176 | \$ (46,350) |
| Fund Balance, July 1, 2014 | 76,912 | 23,308 | 23,308 | 53,604 |
| Fund Balance, June 30, 2015 | \$ 65,738 | \$ 58,484 | \$ 58,484 | \$ 7,254 |

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

Exhibit C-7

Bledsoe County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| Revenues | | | | |
| Other Local Revenues | \$ 8,325 | \$ 3,000 | \$ 3,000 | \$ 5,325 |
| State of Tennessee | 1,786,342 | 1,848,742 | 1,848,742 | (62,400) |
| Federal Government | 427,167 | 300,000 | 300,000 | 127,167 |
| Total Revenues | \$ 2,221,834 | \$ 2,151,742 | \$ 2,151,742 | \$ 70,092 |
| Expenditures | | | | |
| Highways | | | | |
| Administration | \$ 150,919 | \$ 161,078 | \$ 161,078 | \$ 10,159 |
| Highway and Bridge Maintenance | 617,597 | 739,600 | 705,300 | 87,703 |
| Operation and Maintenance of Equipment | 221,340 | 321,000 | 321,000 | 99,660 |
| Quarry Operations | 3,142 | 3,250 | 3,250 | 108 |
| Other Charges | 110,075 | 107,024 | 112,524 | 2,449 |
| Employee Benefits | 257,709 | 343,000 | 343,000 | 85,291 |
| Capital Outlay | 239,222 | 173,000 | 257,500 | 18,278 |
| Total Expenditures | \$ 1,600,004 | \$ 1,847,952 | \$ 1,903,652 | \$ 303,648 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 621,830 | \$ 303,790 | \$ 248,090 | \$ 373,740 |
| Net Change in Fund Balance | \$ 621,830 | \$ 303,790 | \$ 248,090 | \$ 373,740 |
| Fund Balance, July 1, 2014 | (206,705) | 281,473 | 281,473 | (488,178) |
| Fund Balance, June 30, 2015 | \$ 415,125 | \$ 585,263 | \$ 529,563 | \$ (114,438) |

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

Exhibit D

Bledsoe County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

| | <u>Agency Funds</u> |
|-------------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 1,034,221 |
| Due from Other Governments | <u>32,105</u> |
| Total Assets | <u>\$ 1,066,326</u> |
| <u>LIABILITIES</u> | |
| Due to Other Taxing Units | \$ 32,105 |
| Due to Litigants, Heirs, and Others | <u>1,034,221</u> |
| Total Liabilities | <u>\$ 1,066,326</u> |

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

BLEDSON COUNTY, TENNESSEE
Index of Notes to the Financial Statements

| Note | Page(s) |
|---|---------|
| I. Summary of Significant Accounting Policies | |
| A. Reporting Entity | 32 |
| B. Government-wide and Fund Financial Statements | 33 |
| C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation | 34 |
| D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance | |
| 1. Deposits and Investments | 36 |
| 2. Receivables and Payables | 37 |
| 3. Capital Assets | 38 |
| 4. Deferred Outflows/Inflows of Resources | 38 |
| 5. Compensated Absences | 39 |
| 6. Long-term Obligations | 39 |
| 7. Net Position and Fund Balance | 40 |
| 8. Restatement | 42 |
| E. Pension Plans | 42 |
| 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 | 43 |
| 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 | 43 |
| III. Stewardship, Compliance, and Accountability | |
| Budgetary Information | 43 |
| IV. Detailed Notes on All Funds | |
| A. Deposits and Investments | 44 |
| B. Capital Assets | 45 |
| C. Interfund Receivables, Payables, and Transfers | 48 |
| D. Capital Lease | 50 |
| E. Long-term Obligations | 51 |
| F. On-Behalf Payments | 56 |
| V. Other Information | |
| A. Risk Management | 57 |
| B. Accounting Changes | 58 |
| C. Contingent Liabilities | 58 |
| D. Change in Administration | 58 |
| E. Joint Ventures | 59 |
| F. Retirement Commitments | 60 |
| G. Other Postemployment Benefits (OPEB) | 75 |
| H. Purchasing Laws | 78 |
| VI. Other Notes - Discretely Presented Bledsoe County Nursing Home | 78 |
| VII. Other Notes - Discretely Presented Bledsoe County Emergency Communications District | 91 |

BLEDSON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bledsoe 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 Bledsoe County:

A. Reporting Entity

Bledsoe County is a public municipal corporation governed by an elected 13-member board. As required by GAAP, these financial statements present Bledsoe County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Bledsoe County School Department operates the public school system in the county, and the voters of Bledsoe 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 Bledsoe 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 Bledsoe County Nursing Home provides nursing care to the citizens of Bledsoe County, and the Bledsoe County Commission appoints its governing body. Patient charges provide the majority of the revenues for the entity. Before the issuance of debt instruments, the nursing home must obtain the County Commission's approval.

The Bledsoe County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Bledsoe County, and the Bledsoe 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 Bledsoe 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 Bledsoe County Nursing Home and the Bledsoe County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Bledsoe County Nursing Home
107 Wheeler Town Avenue
Pikeville, TN 37367

Bledsoe County Emergency Communications District
305 Alan P. Deakins Road
Pikeville, TN 37367

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 Bledsoe 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 Bledsoe 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.

Bledsoe County issues all debt for the discretely presented Bledsoe County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2015.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund 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 Bledsoe 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 inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Bledsoe 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. Bledsoe 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 fund 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.

Bledsoe 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.

Ambulance Service Fund – This special revenue fund is used to account for the transactions of the county’s Ambulance Service. Patient charges are the foundational revenues of this 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, Bledsoe County reports the following fund types:

Capital Projects Funds – These funds are used to account for various capital projects within the county.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Bledsoe County. 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 Bledsoe County School Department reports the following major governmental funds:

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

Education Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, education related long-term debt principal, interest, and related costs.

Education Capital Projects Fund – This fund is used to account for building construction and renovation projects of the School Department.

Additionally, the Bledsoe County School Department reports the following fund type:

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

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 Bledsoe 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 Debt Service Fund. Bledsoe County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with

maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance is based on historical collection data. The allowance for uncollectible property taxes is equal to 4.47 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.

Most payables are disaggregated on the face of the financial statements.

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 \$5,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 20 - 40 |
| Other Capital Assets | 5 - 30 |
| Infrastructure | 20 - 50 |

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the

governmental funds balance sheet. These items are for pension changes in experience, changes in proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 changes in investment earnings. 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 beyond fiscal year-end. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for vacation pay is reported in the governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. Employees are allowed to accumulate sick leave days equal to the number of days earned in a year; however, the granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

The general policy of the discretely presented Bledsoe County School Department does not allow for the accumulation of vacation days beyond fiscal year-end for professional or support personnel. All professional (teachers) and support personnel of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded.

6. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the

reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

7. Net Position and Fund Balance

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

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

As of June 30, 2015, Bledsoe County had \$11,877,137 in outstanding debt for capital purposes for the discretely presented Bledsoe County School Department. This debt is a liability of Bledsoe County, but the capital assets acquired are reported in the financial statements of the School Department.

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

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county's Budget/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. **Restatement**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement to decrease Bledsoe County's and the Bledsoe County School Department's beginning net position has been recognized on the Statement of Activities totaling (\$275,495) and (\$2,850,259), respectively.

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 Bledsoe County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Bledsoe 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 Bledsoe County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Bledsoe 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 Bledsoe County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed

appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, 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 GAAP basis is presented on the face of each budgetary schedule.

At June 30, 2015, the Bledsoe County School Department reported the following significant encumbrance:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|------------------------|--------------------|---------------|
| School Department: | | |
| Major Fund: | | |
| General Purpose School | Buses | \$ 184,699 |

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Bledsoe County and the Bledsoe 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, depositing, 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 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 or nonpooled investments as of June 30, 2015.

B. Capital Assets

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

Primary Government

Governmental Activities:

| | Balance 7-1-14 | Increases | Decreases | Balance 6-30-15 |
|--|----------------------|--------------------|---------------------|----------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 173,140 | \$ 0 | \$ (72,000) | \$ 101,140 |
| Construction in Progress | 182,362 | 0 | (182,362) | 0 |
| Total Capital Assets Not Depreciated | \$ 355,502 | \$ 0 | \$ (254,362) | \$ 101,140 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 8,290,735 | \$ 0 | \$ (10,000) | \$ 8,280,735 |
| Infrastructure | 6,696,689 | 278,162 | 0 | 6,974,851 |
| Other Capital Assets | 2,972,006 | 191,497 | (77,420) | 3,086,083 |
| Total Capital Assets Depreciated | \$ 17,959,430 | \$ 469,659 | \$ (87,420) | \$ 18,341,669 |
| Less Accumulated Depreciated For: | | | | |
| Buildings and Improvements | \$ 1,189,791 | \$ 186,836 | \$ (4,380) | \$ 1,372,247 |
| Infrastructure | 2,421,780 | 151,160 | 0 | 2,572,940 |
| Other Capital Assets | 2,401,455 | 152,460 | (69,647) | 2,484,268 |
| Total Accumulated Depreciation | \$ 6,013,026 | \$ 490,456 | \$ (74,027) | \$ 6,429,455 |
| Total Capital Assets Depreciated, Net | \$ 11,946,404 | \$ (20,797) | \$ (13,393) | \$ 11,912,214 |
| Governmental Activities Capital Assets, Net | \$ 12,301,906 | \$ (20,797) | \$ (267,755) | \$ 12,013,354 |

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

Governmental Activities:

| | |
|---|-----------------------|
| General Government | \$ 14,956 |
| Finance | 2,940 |
| Administration of Justice | 12,413 |
| Public Safety | 204,311 |
| Public Health and Welfare | 65,619 |
| Social, Cultural, and Recreational Services | 3,972 |
| Agriculture and Natural Resources | 3,920 |
| Highways/Public Works | <u>182,325</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 490,456</u> |

Discretely Presented Bledsoe County School Department

Governmental Activities:

| | Balance 7-1-14 | Increases | Decreases | Balance 6-30-15 |
|---|----------------------|---------------------|-----------------------|----------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 375,847 | \$ 0 | \$ 0 | \$ 375,847 |
| Construction in Progress | 1,548,041 | 0 | (1,548,041) | 0 |
| Total Capital Assets Not Depreciated | <u>\$ 1,923,888</u> | <u>\$ 0</u> | <u>\$ (1,548,041)</u> | <u>\$ 375,847</u> |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 14,807,125 | \$ 3,083,567 | \$ 0 | \$ 17,890,692 |
| Infrastructure | 162,674 | 0 | 0 | 162,674 |
| Other Capital Assets | 2,700,935 | 40,860 | (12,469) | 2,729,326 |
| Total Capital Assets Depreciated | <u>\$ 17,670,734</u> | <u>\$ 3,124,427</u> | <u>\$ (12,469)</u> | <u>\$ 20,782,692</u> |

Governmental Activities (Cont.):

| | Balance 7-1-14 | Increases | Decreases | Balance 6-30-15 |
|--|----------------------|---------------------|-----------------------|----------------------|
| Less Accumulated Depreciated For: | | | | |
| Buildings and Improvements | \$ 6,243,052 | \$ 388,244 | \$ 0 | \$ 6,631,296 |
| Infrastructure | 58,894 | 7,611 | 0 | 66,505 |
| Other Capital Assets | 1,576,558 | 166,939 | (7,585) | 1,735,912 |
| Total Accumulated Depreciation | \$ 7,878,504 | \$ 562,794 | \$ (7,585) | \$ 8,433,713 |
| Total Capital Assets Depreciated, Net | \$ 9,792,230 | \$ 2,561,633 | \$ (4,884) | \$ 12,348,979 |
| Governmental Activities Capital Assets, Net | \$ 11,716,118 | \$ 2,561,633 | \$ (1,552,925) | \$ 12,724,826 |

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

| | |
|---|--------------------------|
| Instruction | \$ 10,008 |
| Support Services | 530,189 |
| Operation of Non-instructional Services | <u>22,597</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 562,794</u> |

C. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

| Receivable Fund | Payable Fund | Amount |
|---------------------|-----------------------|----------|
| Primary Government: | | |
| General | Nonmajor governmental | \$ 4,808 |
| " | Ambulance Service | 13 |

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 Ambulance Service Fund totaling \$13 was in transit from the General Fund at June 30, 2015.

Due to/from Primary Government and Component Unit:

| <u>Receivable</u> | <u>Payable</u> | <u>Amount</u> |
|--------------------|-------------------|---------------|
| | Component Unit: | |
| Primary Government | School Department | \$ 11,877,137 |

The Due to Primary Government consists of the balance of bonds (\$11,415,000), a note (\$253,785), and another loan (\$208,352) issued for the School Department. The School Department has agreed to contribute funds annually to retire the debt. This long-term debt obligation is reflected in the governmental activities on the Statement of Net Position.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

Primary Government

| <u>Transfers Out</u> | <u>Transfers In</u> | | |
|------------------------|------------------------------|------------------------------------|----------------------------------|
| | Ambulance Service Fund | General Debt Service Fund | Nonmajor Governmental Fund |
| General Fund | \$ 50,000 | \$ 0 | \$ 55,000 |
| Ambulance Service Fund | 0 | 34,860 | 0 |
| Total | \$ 50,000 | \$ 34,860 | \$ 55,000 |

Discretely Presented Bledsoe County School Department

| <u>Transfers Out</u> | <u>Transfers In</u> | |
|-----------------------------|------------------------------------|------------------------------------|
| | <u>General Purpose School Fund</u> | <u>Education Debt Service Fund</u> |
| General Purpose School Fund | \$ 0 | \$ 525,000 |
| Nonmajor governmental fund | 20,035 | 0 |
| Total | \$ 20,035 | \$ 525,000 |

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 in accordance with budgetary authorizations.

D. Capital Lease

On February 13, 2014, Bledsoe County entered into a five-year lease-purchase agreement for four defibrillators and accessories for the Ambulance Service. The terms of the agreement require total lease payments of \$132,569 plus interest of 4.693 percent. Title to the defibrillators transfers to Bledsoe County at the end of the lease period. The lease payments are made from the Ambulance Service Fund.

The assets acquired through the capital lease are as follows:

| <u>Asset</u> | <u>Governmental Activities</u> |
|--------------------------------|--------------------------------|
| Machinery and Equipment | \$ 132,000 |
| Less: Accumulated Depreciation | <u>(12,832)</u> |
| Total Book Value | <u>\$ 119,168</u> |

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

| Year Ending June 30 | Governmental Funds |
|--|-----------------------|
| 2016 | \$ 29,681 |
| 2017 | 29,681 |
| 2018 | 29,681 |
| 2019 | 19,786 |
| Total Minimum Lease Payments | <u>\$ 108,829</u> |
| Less: Amount Representing Interest | <u>(9,026)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 99,803</u> |

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 32 years for bonds, up to 12 years for notes, and up to seven years for the other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service and Highway/Public Works funds.

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

| Type | Interest Rate | Final Maturity | Original Amount of Issue | Balance 6-30-15 |
|-------------------------------------|---------------|----------------|--------------------------|-----------------|
| General Obligation Bond | 2 to 3.5 % | 12-1-38 | \$ 4,000,000 | \$ 3,875,000 |
| General Obligation Bond - Refunding | 1 to 4.5 | 6-1-41 | 17,755,000 | 15,510,000 |
| Capital Outlay Notes | 2.93 to 4.95 | 12-1-21 | 512,269 | 295,785 |
| Other Loans | 0 to 3.75 | 3-1-19 | 714,200 | 328,026 |
| Capital Lease | 4.693 | 3-1-19 | 132,569 | 99,803 |

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

| Year Ending June 30 | Bonds | | |
|---------------------|----------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2016 | \$ 955,000 | \$ 616,225 | \$ 1,571,225 |
| 2017 | 975,000 | 596,771 | 1,571,771 |
| 2018 | 1,000,000 | 575,581 | 1,575,581 |
| 2019 | 1,015,000 | 553,169 | 1,568,169 |
| 2020 | 1,050,000 | 529,214 | 1,579,214 |
| 2021-2025 | 4,950,000 | 2,218,689 | 7,168,689 |
| 2026-2030 | 3,120,000 | 1,560,100 | 4,680,100 |
| 2031-2035 | 2,665,000 | 1,081,181 | 3,746,181 |
| 2036-2040 | 3,085,000 | 497,969 | 3,582,969 |
| 2041 | 570,000 | 25,650 | 595,650 |
| Total | \$ 19,385,000 | \$ 8,254,549 | \$ 27,639,549 |

| Year Ending June 30 | Notes | | Total |
|------------------------|-----------|-----------|-----------|
| | Principal | Interest | |
| 2016 | \$ 54,917 | \$ 12,937 | \$ 67,854 |
| 2017 | 56,667 | 10,636 | 67,303 |
| 2018 | 37,473 | 8,277 | 45,750 |
| 2019 | 39,370 | 6,380 | 45,750 |
| 2020 | 41,353 | 4,397 | 45,750 |
| 2021-2022 | 66,005 | 2,620 | 68,625 |

| | | | |
|--------------|-------------------|------------------|-------------------|
| Total | \$ 295,785 | \$ 45,247 | \$ 341,032 |
|--------------|-------------------|------------------|-------------------|

| Year Ending June 30 | Other Loans | | Total |
|------------------------|-------------|----------|------------|
| | Principal | Interest | |
| 2016 | \$ 101,712 | \$ 4,572 | \$ 106,284 |
| 2017 | 102,868 | 3,416 | 106,284 |
| 2018 | 98,148 | 2,216 | 100,364 |
| 2019 | 25,298 | 848 | 26,146 |

| | | | |
|--------------|-------------------|------------------|-------------------|
| Total | \$ 328,026 | \$ 11,052 | \$ 339,078 |
|--------------|-------------------|------------------|-------------------|

There is \$721,337 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and the capital lease totaled \$1,562, based on the 2010 federal census.

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

| <u>Description of Indebtedness</u> | <u>Outstanding 6-30-15</u> |
|--|------------------------------------|
| <u>Bonds Payable</u> | |
| <u>Contributions from the Education Debt Service Fund</u> | |
| School Refunding Series 2011 | \$ 4,765,000 |
| School Refunding Series 2013 | 2,775,000 |
| General Obligation Series 2013 | 3,875,000 |
| | |
| <u>Note Payable</u> | |
| <u>Contributions from the General Purpose School Fund</u> | |
| Energy Program | 253,785 |
| | |
| <u>Other Loan Payable</u> | |
| <u>Contributions from the General Purpose School Fund</u> | |
| Energy Program | <u>208,352</u> |
| | |
| Total | <u><u>\$ 11,877,137</u></u> |

Changes in Long-term Obligations

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

Governmental Activities:

| | <u>Bonds</u> | <u>Notes</u> | <u>Other Loan</u> |
|-----------------------------|----------------------|-------------------|-----------------------|
| Balance, July 1, 2014 | \$ 20,320,000 | \$ 348,098 | \$ 428,625 |
| Reductions | <u>(935,000)</u> | <u>(52,313)</u> | <u>(100,599)</u> |
| | | | |
| Balance, June 30, 2015 | <u>\$ 19,385,000</u> | <u>\$ 295,785</u> | <u>\$ 328,026</u> |
| | | | |
| Balance Due Within One Year | <u>\$ 955,000</u> | <u>\$ 54,917</u> | <u>\$ 101,712</u> |

| | Capital Lease | Other Postemployment Benefits | Compensated Absences |
|-----------------------------|------------------|-------------------------------------|-------------------------|
| Balance, July 1, 2014 | \$ 126,158 | \$ 48,606 | \$ 58,337 |
| Additions | 0 | 4,050 | 119,362 |
| Reductions | (26,355) | (2,606) | (126,741) |
| Balance, June 30, 2015 | \$ 99,803 | \$ 50,050 | \$ 50,958 |
| Balance Due Within One Year | \$ 25,543 | \$ 0 | \$ 2,548 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|----------------------|
| Total Noncurrent Liabilities, June 30, 2015 | \$ 20,209,622 |
| Less: Balance Due Within One Year | (1,139,720) |
| Add: Unamortized Premium on Debt | 189,415 |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 19,259,317</u> |

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Discretely Presented Bledsoe County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Bledsoe County School Department for the year ended June 30, 2015, was as follows:

Governmental Activities

| | <u>Other Postemployment Benefits</u> |
|-----------------------------|--|
| Balance, July 1, 2014 | \$ 415,687 |
| Additions | 92,428 |
| Reductions | <u>(93,537)</u> |
| Balance, June 30, 2015 | <u>\$ 414,578</u> |
| Balance Due Within One Year | <u>\$ 0</u> |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|-------------------|
| Total Noncurrent Liabilities, June 30, 2015 | \$ 414,578 |
| Less: Balance Due Within One Year | <u>0</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 414,578</u> |

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

F. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Bledsoe County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2015, were \$1,050. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Bledsoe County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Bledsoe County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$49,328 and \$14,050, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county is a member of the Local Government Property and Causality Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Employee Health Insurance

Bledsoe County, with the exception of the Highway Department, provides health insurance coverage to its employees through 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 the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

The Bledsoe County Highway Department provides commercial health insurance coverage to its employees. Settled claims have not exceeded this commercial coverage over the past three fiscal years. Highway Department pre-65 age retirees are not allowed to remain in the program.

Discretely Presented Bledsoe County School Department

The School Department participates 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. The School Department pays an annual premium to the TN-RMT for its general liability, property, and casualty insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Employee Health Insurance

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

B. Accounting Changes

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

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

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

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

C. Contingent Liabilities

The county is involved in several pending lawsuits. However, the county attorney estimates that the potential claims against the county, not covered by insurance, resulting from such litigation should not be material to the county's financial statements.

D. Change in Administration

On August 31, 2014, Bobby Collier left the Office of County Mayor and was succeeded by Gregg Ridley.

E. Joint Ventures

The Sequatchie/Bledsoe Landfill Board is responsible for a closed regional sanitary landfill, which is owned by Bledsoe County, Sequatchie County, the City of Dunlap, and the City of Pikeville. The landfill is governed by a ten-member board, including the county mayor and two members appointed by the County Commission. The remaining seven members are appointed by the other joint owners. Bledsoe County has control over budgeting and financing the joint venture only to the extent of representation by the three board members and is responsible for funding approximately 39 percent of any postclosure care costs. Bledsoe County made \$14,164 in contributions to the board during the year.

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district is composed of Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Bledsoe County made no contributions to the DTF for the year ended June 30, 2015.

Bledsoe County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Sequatchie/Bledsoe Landfill Board and the DTF can be obtained from their administrative offices at the following addresses:

Administrative Offices:

**Sequatchie/Bledsoe Landfill
P.O. Box 149
Pikeville, TN 37367**

**Office of District Attorney General
Twelfth Judicial District Drug Task Force
375 Church Street, Suite 300
Dayton, TN 37321**

F. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Bledsoe County, the discretely presented Bledsoe County Nursing Home, and non-certified employees of the discretely presented Bledsoe County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees, the discretely presented Bledsoe County Nursing Home, and the non-certified employees of the Bledsoe County School Department comprise 31.65 percent, 12.23 percent, and 56.12 percent, respectively, of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available for 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 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, 2014, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 116 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 195 |
| Active Employees | 237 |
| Total | <u>548</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. Bledsoe County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the employer contributions for Bledsoe County were \$502,642 based on a rate of 8.63 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Bledsoe County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (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)

Bledsoe County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Bledsoe 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)

| | Increase (Decrease) | | |
|---|-----------------------------|----------------------------------|---------------------------------|
| | Total | Plan | Net |
| | Pension Liability (a) | Fiduciary Net Position (b) | Pension Liability (a)-(b) |
| Balance, July 1, 2013 | \$ 14,123,122 | \$ 12,771,639 | \$ 1,351,483 |
| Changes for the year: | | | |
| Service Cost | \$ 461,164 | \$ 0 | \$ 461,164 |
| Interest | 1,071,540 | 0 | 1,071,540 |
| Differences Between Expected and Actual Experience | (8,480) | 0 | (8,480) |
| Contributions-Employer | 0 | 481,040 | (481,040) |
| Contributions-Employees | 0 | 288,734 | (288,734) |
| Net Investment Income | 0 | 2,127,188 | (2,127,188) |
| Benefit Payments, Including Refunds of Employee Contributions | (594,151) | (594,151) | 0 |
| Administrative Expense | 0 | (9,219) | 9,219 |
| Other Changes | 0 | 0 | 0 |
| Net Changes | \$ 930,073 | \$ 2,293,592 | \$ (1,363,519) |
| Balance, June 30, 2014 | \$ 15,053,195 | \$ 15,065,231 | \$ (12,036) |

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

| | | Total | Plan | Net |
|--------------------|--------|---------------|---------------|-------------|
| | | Pension | Fiduciary | Pension |
| | | Liability | Net | Liability |
| | | Liability | Position | (Asset) |
| Primary Government | 31.65% | \$ 4,764,336 | \$ 4,768,146 | \$ (3,809) |
| Nursing Home | 12.23% | 1,841,006 | 1,842,478 | (1,472) |
| School Department | 56.12% | 8,447,853 | 8,454,608 | (6,755) |
| Total | | \$ 15,053,195 | \$ 15,065,231 | \$ (12,036) |

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Bledsoe County calculated using the discount rate of 7.5 percent, as

well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------|----------------|-----------------------------|----------------|
| Bledsoe County | 6.5% | 7.5% | 8.5% |

Net Pension Liability \$ 1,947,632 \$ (12,036) \$ (1,650,459)

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

Pension Expense. For the year ended June 30, 2015, Bledsoe County recognized pension expense of \$54,765.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences Between Expected and Actual Experience | \$ 0 | \$ 6,784 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 930,460 |
| Contributions Subsequent to the Measurement Date of June 30, 2014 (1) | 502,642 | N/A |
| Total | \$ 502,642 | \$ 937,244 |

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------|--------------------------------------|-------------------------------------|
| Primary Government | \$ 211,201 | \$ 296,638 |
| Nursing Home | 68,786 | 114,625 |
| School Department | 222,655 | 525,981 |
| Total | \$ 502,642 | \$ 937,244 |

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

| Year Ending June 30 | Amount |
|------------------------|--------------|
| 2016 | \$ (234,311) |
| 2017 | (234,311) |
| 2018 | (234,311) |
| 2019 | (234,311) |
| 2020 | 0 |
| Thereafter | 0 |

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

Discretely Presented Bledsoe County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Bledsoe County, the discretely presented Bledsoe County Nursing Home, and non-certified employees of the discretely presented Bledsoe County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees, the discretely presented Bledsoe County Nursing Home, and the non-certified employees of the

discretely present School Department comprise 31.65 percent, 12.23 percent, and 56.12 percent, respectively, of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change

is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$4,664, which is four percent of pensionable payroll. The employer rate, when combined with member contributions made by the Bledsoe County School Department, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

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

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| LEAs Contributions subsequent to the measurement date of June 30, 2014 | \$ 4,664 | N/A |

The Bledsoe County School Department's employer contributions of \$4,664 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ended June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Bledsoe County Schools for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$649,697, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Assets. At June 30, 2015, the Bledsoe County School Department reported an asset of \$29,683 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Bledsoe County School Department's proportion of the net pension asset was based on the Bledsoe County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date the Bledsoe County School Department's proportion was .182671 percent. The proportion measured as of June 30, 2013, was .182206 percent.

Pension Income. For the year ended June 30, 2015, the Bledsoe County School Department recognized a pension income of \$24,365.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Bledsoe County School Department

reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences Between Expected and Actual Experience | \$ 72,063 | \$ 0 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 2,445,703 |
| Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions | 6,555 | 0 |
| LEAs Contributions Subsequent to the Measurement Date of June 30, 2014 | <u>649,697</u> | <u>N/A</u> |
| Total | \$ 728,315 | \$ 2,445,703 |

Bledsoe County School's employer contributions of \$649,697 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Amount |
|------------------------|--------------|
| 2016 | \$ (598,323) |
| 2017 | (598,323) |
| 2018 | (598,323) |
| 2019 | (598,323) |
| 2020 | 13,103 |
| Thereafter | 13,103 |

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

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from the all 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 Bledsoe County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Bledsoe County School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

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

Net Pension Liability \$ 5,006,399 \$ (29,683) \$ (4,199,013)

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**

Primary Government

Bledsoe County offers its Ambulance Service employees a deferred compensation plan, established pursuant to IRC Section 457. All costs of administering and funding these programs are the responsibility of plan participants. The Section 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 457 establishes participation, contribution, and withdrawal provisions for the plan. During the year, Bledsoe County contributed \$14,544 to the 457 pension plan on-behalf of the plan participants.

Discretely Presented Bledsoe County School Department

Teachers hired after July 1, 2014, by the discretely presented Bledsoe County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Bledsoe County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Bledsoe County School Department contributed \$5,830 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

G. Other Postemployment Benefits (OPEB)

Plan Description

Bledsoe County (except for the Highway Department) and the School Department participate in the state-administered Local Education Group Insurance Plan, Local Government Group Insurance Plan, and Medicare Supplement Plan for health care benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees, Section 8-27-207, *TCA* for local governments, and Section 8-27-701, *TCA*, for the Medicare Supplement. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for health care benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Bledsoe County retirees' contributions vary depending on the insurance options they select, ranging from \$399 to \$1,776 per month. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$124 to \$1,496 per month. Bledsoe County and the School Department recognized expenditures of \$2,606 and \$93,537, respectively, for postemployment health care during the year ended June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation

| | Local Education Group Plan | Local Government Group Plan |
|------------------------------|-------------------------------------|--------------------------------------|
| ARC | \$ 92,000 | \$ 4,000 |
| Interest on the NOPEBO | 16,627 | 1,944 |
| Adjustment to the ARC | (16,199) | (1,894) |
| Annual OPEB cost | \$ 92,428 | \$ 4,050 |
| Amount of contribution | (93,537) | (2,606) |
| Increase/decrease in NOPEBO | \$ (1,109) | \$ 1,444 |
| Net OPEB obligation, 7-1-14 | 415,687 | 48,606 |
| Net OPEB obligation, 6-30-15 | \$ 414,578 | \$ 50,050 |

| Fiscal Year Ended | Plans | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|-------------------|------------------------|------------------|--|---------------------------------|
| 6-30-13 | Local Education Group | \$ 190,201 | 44.45 | % \$ 430,457 |
| 6-30-14 | " | 88,443 | 116.7 | 415,687 |
| 6-30-15 | " | 92,428 | 101.2 | 414,578 |
| 6-30-13 | Local Government Group | 8,908 | 12.1 | 44,917 |
| 6-30-14 | " | 4,047 | 8.85 | 48,606 |
| 6-30-15 | " | 4,050 | 64.35 | 50,050 |

Funded Status and Funding Progress

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

| | Local Education Group Plan | Local Government Group Plan |
|---|---|--|
| Actuarial valuation date | 7-1-2013 | 7-1-13 |
| Actuarial accrued liability (AAL) | \$ 917,000 | \$ 20,000 |
| Actuarial value of plan assets | \$ 0 | \$ 0 |
| Unfunded actuarial accrued liability (UAAL) | \$ 917,000 | \$ 20,000 |
| Actuarial value of assets as a % of the AAL | 0% | 0% |
| Covered payroll (active plan members) | \$ 6,615,867 | \$ 690,050 |
| UAAL as a % of covered payroll | 13.86% | 2.9% |

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

Actuarial Methods and Assumptions

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

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

In addition to the other postemployment benefits described above, the Board of Education agreed by contract to pay the department's and the individual's portion of the medical and health insurance expenses for a previous director (Phil Kiper, who left employment June 30, 2012). These payments will be made through the group plan currently available or acquired for board employees in the future, beginning immediately upon the retirement or resignation of the director of schools, through and until such date that the director attains Medicare insurance coverage. During the year, expenditures totaling \$9,759 were recognized for postemployment healthcare for this previous director.

H. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Bledsoe County Mayor's Office are governed by the County Purchasing Law of 1983, Section 5-14-201, *Tennessee Code Annotated (TCA)*. This act provides for all purchases exceeding \$10,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Road Superintendent

Purchasing procedures for the Highway Department are governed by provisions of Chapter 153, Private Acts of 1941, and the Uniform Road Law, Section 54-7-113, *TCA*, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Director of Schools

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

VI. OTHER NOTES – DISCRETELY PRESENTED BLEDSOE COUNTY NURSING HOME

A. Summary of Significant Accounting Policies

Reporting Entity

Bledsoe County Nursing Home (the nursing home) was organized in 1967 as a public corporation to operate a 50-bed intermediate care facility located in Pikeville, Tennessee. The nursing home, a component unit of Bledsoe County, Tennessee, is governed by a six-member board appointed by the Bledsoe County Commission who also has financial responsibility for the nursing home such as approval of any bond indentures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

The nursing home utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis and the economic resource measurement focus. Substantially all revenues and expenses are subject to accrual.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the nursing home considers currency on hand and demand deposits with financial institutions to be cash. The nursing home considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash in resident trust funds is not considered cash or a cash equivalent since balances therein are held by the nursing home in an agency capacity for various patients. State statutes authorize the nursing home to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements and pooled investment funds, and state or local bonds, rated A or higher by a nationally recognized rating service. The nursing home had \$158,000 in cash equivalents at June 30, 2015.

Patient Accounts Receivable

For patient accounts receivable, the allowance for doubtful accounts is based on management's assessment of the collectability of specific patient's accounts and the aging of the account receivable. If there is a deterioration of a patient's credit worthiness or actual defaults are higher than historical experience, management's estimates of recoverability of amounts due to the nursing home could be adversely affected.

Assets Limited as to Use

Assets limited as to use consist of residents' personal assets held by the nursing home for the personal use of those residents (see Note VI.D.).

Capital Assets

Individual capital assets purchased for greater than \$5,000 are reported at historical cost. Donated capital items are reported at their estimated fair value

at the date of donation. Depreciation is computed over the estimated useful lives using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. Expenditures for maintenance, repairs, renewals and betterments that do not extend the useful lives of the assets are expensed as incurred. A summary of estimated useful lives of capital assets follows:

| <u>Description</u> | <u>Estimated Useful Lives - Years</u> |
|---|---|
| Buildings, Land Improvements, Fixed Equipment | 8 - 40 |
| Equipment | 5 - 10 |

Operating Revenues and Expenses

Operating revenues include net patient service revenue, rental income, and any other revenues generated by the nursing home's day-to-day operations. The Medicaid program, a major third-party payor, reimburses the nursing home for services rendered to Medicaid beneficiaries based on a prospective per-diem rate established by the Medicaid program. The per-diem rate established by Medicaid is based primarily on prior years' cost, subject to a maximum per-diem rate set by the State of Tennessee. A provision for contractual adjustment is made to reduce recorded charges to estimated payments.

Revenue from the Medicaid program accounted for approximately 94 percent of the nursing home's net patient service revenue for the year ended June 30, 2015.

Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Nonoperating income consists of interest income and contributions from outside parties.

Net Position

Net position of the nursing home is classified into three components. *Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted Net Position* is a noncapital asset that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the nursing home. *Unrestricted Net Position* is the remaining net position that does

not meet the definition of net investment in capital assets or restricted. There were no restricted assets at June 30, 2015.

Deferred Outflows/Inflows of Resources

During the year, the nursing home adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under this Statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period.

As of June 30, 2015, the nursing home had deferred outflows of \$68,786 and deferred inflows of \$114,625.

Pensions

During the year, the nursing home adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. Under this statement, GASB has established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources. 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 nursing home's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and addition to/deductions from the nursing home'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.

Income Taxes

The nursing home, as a component unit of Bledsoe County, Tennessee, is exempt from federal and state income taxes.

Risk Management

The nursing home is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled

claims have not exceeded this commercial coverage in any of the three preceding years.

B. Management Contract

On October 1, 2001, Bledsoe County, Tennessee, (owner) and the Board of Directors (the board) of Bledsoe County Nursing Home entered into an agreement with the Chattanooga Hamilton County Hospital Authority d/b/a Erlanger Health Systems, a Tennessee governmental hospital authority (the hospital), to manage the operations of the nursing home for an initial five-year period, renewable for four additional five-year terms. The hospital also provides insurance coverage, employee health insurance, and a portion of compensation for the director of nursing, administrator, and accountant, which is billed to the nursing home on a monthly basis. The terms of this agreement shall terminate on October 1, 2026. The fee for these services shall be \$120,000 for years one through five; \$130,000 for years six through ten; \$140,000 for years 11 through 15; \$150,000 for years 16 through 20; and \$160,000 for years 21 through 25. All management fees are payable in equal quarterly amounts due on the fifteenth day of the first month of each calendar quarter.

Through this agreement, Bledsoe County and the board agree to be, and remain, solely liable for and obligated to satisfy and discharge all claims, losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees and expenses related to the defense of any claims) arising directly or indirectly in connection with, or relating to, the operation of the nursing home, except to the extent that such claims have been caused by the gross negligence or willful misconduct of the hospital.

The management fee expense totaled \$140,000 in 2015.

C. Deposits and Certificates of Deposit

The carrying amount of the nursing home's deposits with commercial banks was \$590,342, and the bank balance was \$614,050 at June 30, 2015.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the nursing home's deposits may not be returned to it. Of the bank balances for June 30, 2015, \$408,000 was covered by federal depository insurance, and \$206,050 was covered by collateral held in the pledging bank's trust department in the nursing home's name.

Interest Rate Risk

For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The nursing home has certificates of deposit at a fixed interest rate.

The nursing home currently has no formal policy addressing interest rate or custodial credit risks other than to comply with state statutes.

The nursing home maintains a single \$158,000 certificate of deposit with a local financial institution. The certificate of deposit is nonnegotiable and renews automatically at the end of each month. The stated interest rate was .2 percent at June 30, 2015.

D. Assets Limited as to Use

The nursing home administers certain funds, which are residents' personal assets. These assets are reflected in the accompanying financial statements as both an asset and a liability to the nursing home.

The composition of assets whose use is limited is:

| | <u>6-30-15</u> |
|---------------------|----------------|
| Resident Trust Fund | \$ 8,295 |

E. Capital Assets

Capital assets consist of the following:

| | <u>Balance</u> <u>7-1-14</u> | <u>Additions</u> | <u>Balance</u> <u>6-30-15</u> |
|---|---------------------------------|--------------------|----------------------------------|
| Capital Assets Being Depreciated: | | | |
| Land Improvements | \$ 48,696 | \$ 0 | \$ 48,696 |
| Building | 1,213,436 | 0 | 1,213,436 |
| Fixed Equipment | 248,306 | 0 | 248,306 |
| Major Moveable Equipment | 42,698 | 0 | 42,698 |
| Minor Moveable Equipment | 74,092 | 0 | 74,092 |
| Total Capital Assets Being Depreciated | \$ 1,627,228 | \$ 0 | \$ 1,627,228 |
| Less Accumulated Depreciation for: | | | |
| Land Improvements | \$ 41,816 | \$ 377 | \$ 42,193 |
| Building | 934,845 | 55,568 | 990,413 |
| Fixed Equipment | 221,447 | 5,463 | 226,910 |
| Major Moveable Equipment | 42,698 | 0 | 42,698 |
| Minor Moveable Equipment | 44,272 | 3,514 | 47,786 |
| Total Capital Assets Being Depreciated | \$ 1,285,078 | \$ 64,922 | \$ 1,350,000 |
| Capital Assets, Net | \$ 342,150 | \$ (64,922) | \$ 277,228 |

F. Purchased Services

The dietary arrangement between the nursing home and the hospital is a mutual agreement allowing the hospital to run the day-to-day operations of the cafeteria. However, the cafeteria space is located in the nursing home facilities, and rent of \$1,000 per month is charged to the hospital. The hospital purchases all dietary supplies and pays all dietary salaries and consulting fees.

The nursing home is charged a cost-per-meal for meals served to patients.

Total amount paid to the hospital for these expenses was as follows:

| | <u>2015</u> |
|----------------------------|-------------|
| Dietary Purchased Services | \$ 326,228 |

The amount of unpaid expense due to the hospital totaled \$58,988 at June 30, 2015. This amount is included in accounts payable on the balance sheet.

G. Compensated Absences

Nursing home employees are paid for personal annual leave (PAL) time by a prescribed formula based on length of service. Upon termination, employees of the nursing home are compensated for any PAL time earned but not taken. Compensated absence liability of \$46,950 was reported at June 30, 2015.

H. Concentration of Credit Risk

The nursing home is located in Pikeville, Tennessee. The nursing home grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

| | <u>2015</u> |
|----------|-------------|
| Medicaid | 90 % |
| Patients | 10 |

I. Commitments and Contingencies

Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

There are no future minimum lease payments under operating leases as of June 30, 2015, that have initial or remaining lease terms in excess of one year.

Total rental expense in 2015 for all operating leases was \$1,816.

Claims-made Insurance Policies

The nursing home is insured for professional liability under a claims-made policy with an independent insurance carrier. A claims-made policy covers claims reported to the carrier during the policy term, regardless of the date of the incident giving rise to the claim. Premiums are determined by a variety of factors related to the nursing home. The primary level of coverage is \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

Coverage for workers' compensation insurance is provided on a claims-made basis. The primary level of coverage is \$100,000 per claim, \$100,000 per employee, and \$500,000 in the aggregate.

Charity Care

The nursing home has an uncompensated services obligation under a Hill-Burton Grant. During the fiscal year ended June 30, 2003, the Hill-Burton obligation was converted from a dollar obligation to a time obligation expiring September 29, 2016. The fulfillment of this Hill-Burton requirement can be satisfied by providing free care in future periods.

Litigation

The nursing home is subject to claims and suits, which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in its financial statements, and will not have a material effect on the nursing home's results of operations or financial position.

J. Net Working Capital

Net working capital at June 30, 2015, was \$618,334.

K. Contribution Income

In 2015, the nursing home received a contribution from the Bledsoe County Commission totaling \$140,000 to be used as needed during the course of operations. At June 30, 2015, all proceeds had been used.

L. Pension Plan

Plan Description

Employees of Bledsoe County Nursing Home are provided a defined benefit pension plan through the Public Employee Retirement Plan, a cost-sharing, multiple-employer pension plan administered by the Tennessee Consolidated

Retirement System (TCRS). The employees of Bledsoe County Nursing Home comprise 12.23 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

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

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

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The nursing home makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the nursing home's employer contributions were \$68,786. By law, employer contributions are required to be paid. The TCRS may intercept Bledsoe County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution 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. The pension plan financial report is included in the report of Bledsoe County. It can be obtained by contacting the county directly.

Net Pension Liability (Asset)

The nursing home's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. At June 30, 2015, the nursing home reported an asset of \$1,472. The nursing home's proportion of the net pension liability was based on the number of nursing home employees relative to the total number of employees for all of the employers in the plan at June 30, 2014. At the June 30, 2014 measurement date, the nursing home's proportion was 12.23 percent. The proportionate share remained the same at June 30, 2015.

Actuarial Assumptions. The total pension liability as of June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of three percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection on cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all employees will be made at the actuarially determined contribution rate pursuant to an actuarial evaluation 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.

The following table represents the nursing home's proportionate share of the net pension liability (asset):

| | | | Total Pension Liability | | Plan Fiduciary Net Position | | Net Pension Liability (Asset) |
|--------------|--------|----|-------------------------------|----|--------------------------------------|----|--|
| Nursing Home | 12.23% | \$ | 1,841,006 | \$ | 1,842,478 | \$ | (1,472) |

The following table represents the changes in the nursing home's net pension liability (asset):

| | Increase (Decrease) | | |
|---|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance, July 1, 2013 | \$ 1,727,258 | \$ 1,561,972 | \$ 165,286 |
| Changes for the year: | | | |
| Service Cost | \$ 56,400 | \$ 0 | \$ 56,400 |
| Interest | 131,050 | 0 | 131,050 |
| Differences Between Expected and Actual Experience | (1,037) | 0 | (1,037) |
| Contributions-Employer | 0 | 58,831 | (58,831) |
| Contributions-Employees | 0 | 35,312 | (35,312) |
| Net Investment Income | 0 | 260,155 | (260,155) |
| Benefit Payments, Including Refunds of Employee Contributions | (72,665) | (72,665) | 0 |
| Administrative Expense | 0 | (1,127) | 1,127 |
| Net Changes | \$ 113,748 | \$ 280,506 | \$ (166,758) |
| Balance, June 30, 2014 | \$ 1,841,006 | \$ 1,842,478 | \$ (1,472) |

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the nursing home's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate.

| | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability | \$ 238,195 | \$ (1,472) | \$ (201,851) |

Pension Expense. For the year ended June 30, 2015, the nursing home recognized pension expense of \$5,747.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences Between Expected and Actual Experience | \$ 0 | \$ 830 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 113,795 |
| Contributions Subsequent to the Measurement Date of June 30, 2014 (1) | 68,786 | 0 |
| Total | \$ 68,786 | \$ 114,625 |

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

Deferred outflow of resources are the actual contributions made during the 2014-2015 fiscal year, which relate to pensions for the 2015-2016 fiscal year and are not necessarily based on census data proration.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Amount |
|------------------------|-------------|
| 2016 | \$ (28,656) |
| 2017 | (28,656) |
| 2018 | (28,656) |
| 2019 | (28,657) |

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

M. Prior-Period Restated

The nursing home's financial activities have been restated to record the effects of implementing GASB 68 and GASB 71 for the year ended June 30, 2014. The prior period restatement resulted in the initial establishment of a net pension asset of \$8,170 and the recording of a deferred inflow from pensions of \$114,625. The net effect of this restatement was a decrease in prior year net income of \$106,455.

N. Subsequent Events

The nursing home noted no transactions that would provide evidence about material conditions that did not exist at the balance sheet date but arose subsequently through October 26, 2015.

VII. OTHER NOTES - DISCRETELY PRESENTED BLEDSOE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

The Bledsoe County E-911 Emergency Communication District was established for the purpose of providing an enhanced level of 911 services to the Bledsoe County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Bledsoe County. The district must file a budget with Bledsoe County each year. Any bond issued by the district is subject to approval by Bledsoe County. On January 16, 2008, the district entered into an inter-local agreement with Bledsoe County that appears to give all authority of the district, its operations and assets to the county. (See Note H)

The district uses the accrual basis of accounting and economic resource measurement focus. Revenues are recognized when earned and expenses are recognized when incurred.

Depreciation

Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives. All capital assets over \$500 are capitalized. Depreciation begins when the capital assets are placed in service. Depreciation is summarized as follows:

| | Method | Estimated Useful Life | 2015 Depreciation |
|---------------------------|--------|-----------------------|-------------------|
| Building and Improvements | S/L | 10-40 Years | \$ 2,395 |
| Communication Equipment | S/L | 5-10 Years | 41,864 |

Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges. Non-operating revenue consists of a grant given by the State Emergency Communications Board to help the district employ dispatchers, interest and miscellaneous income.

B. Cash and Cash Investments

The *Tennessee Code Annotated (TCA)* requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105 percent of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The following is a schedule of bank accounts at June 30, 2015:

| | |
|--------------------------------|-------------------|
| Checking - First National Bank | <u>\$ 794,962</u> |
|--------------------------------|-------------------|

At June 30, 2015, the carrying amount of the district's cash deposits was \$794,962. The district's deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. Any amounts over \$250,000 are covered by the government collateralization pool of which First National Bank is a member. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*, [Acts 1992, ch. 891, sct 10].

C. Risk Management

The district had bonds covering certain members of the board at June 30, 2015. The district is exposed to other areas of risk including theft, property damage and public liabilities. The district is covered under the county's policy for these

areas of risk. There have been no losses or settlements during the past three years that have exceeded coverage amounts.

D. Capital Assets

The following is a schedule of capital assets at June 30, 2015:

| | Balance 7-1-14 | Additions | Balance 6-30-15 |
|---------------------------------------|---------------------------------------|---------------------------------|--|
| Non-Depreciable Assets | | | |
| Construction in Progress | \$ 0 | \$ 55,930 | \$ 55,930 |
| Total Non-Depreciable Assets | \$ 0 | \$ 55,930 | \$ 55,930 |
| Depreciable Assets | | | |
| Building and Improvements | \$ 93,393 | \$ 0 | \$ 93,393 |
| Communication Equipment | 477,959 | 0 | 477,959 |
| Total Depreciable Assets | \$ 571,352 | \$ 0 | \$ 571,352 |
| Total Assets | \$ 571,352 | \$ 55,930 | \$ 627,282 |
| | Accumulated Depreciation 7-1-14 | Current Year Depreciation | Accumulated Depreciation 6-30-15 |
| Depreciable Assets | | | |
| Building and Improvements | \$ 23,747 | \$ 2,395 | \$ 26,142 |
| Communication Equipment | 335,002 | 41,864 | 376,866 |
| Total Accumulated Depreciation | \$ 358,749 | \$ 44,259 | \$ 403,008 |

E. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

F. Compensated Absences

There were no compensated absences as of June 30, 2015.

G. Calculation of Investment in Capital Assets

| | |
|-------------------------------------|-------------------|
| Net Book Value | \$ 224,274 |
| Current and Non-current Debt | 0 |
| Investment in Capital Assets | \$ 224,274 |

H. Inter-local Agreements

An Inter-local Agreement was entered into January 16, 2008, between Bledsoe County and the district. This agreement gives the county through the mayor's office:

- Authority to manage all county radio communications.
- Complete authority over employees necessary for operations at the Center.
- Authority to perform maintenance of the addressing, mapping & GIS in accordance with guidelines of the TECB.
- And citizen's access to the center's conference room for board and committee meetings and rights to public records as defined by state law.

The revised agreement returns to the district:

- Any interest and title to the center and grounds as it may have possessed. The district hereby grants the county a license to use the center for purposes described herein. The county will keep the center in good condition.
- Any interest in ownership of PSAP equipment previously acquired by the county. The district hereby grants the county a license to use the PSAP equipment for the purposes described herein. The county shall be responsible to maintain all equipment.
- Any equipment not needed or no longer functional.
- The district shall annually provide to the county cost recovery payments to offset adequately staged by trained and competent personnel, to the extent that funds are available to the district and authorized by the TECB.
- The county will remain responsible for paying costs associated with the radio system, including, but not limited to, towers, repeaters, generators, and tower equipment buildings, as and when required.

I. Budgetary Process

The district is required to file a budget with the county each year. The budget is presented on the accrual basis of accounting and is an adopted non-appropriated budget approved by the Board of Directors with a line-item level of budgetary control.

J. Subsequent Events

The district has evaluated subsequent events through September 17, 2015.

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