New Issue
Book-Entry Only

Rating: Moody 's "Aa2"

*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 "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 "Tax Matters" herein).*

# MARSHALL COUNTY, TENNESSEE

## $5,060,000 GENERAL OBLIGATION SCHOOL REFUNDING BONDS, SERIES 2016
## (Bank Qualified)

Dated: Date of Delivery

Due: May 1, as shown below

The $5,060,000 General Obligation School Refunding Bonds, Series 2016 (the "Bonds") of Marshall County, Tennessee (the “County”) will be issued in fully registered book-entry only form, without coupons, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form only, in denominations of $5,000 or multiples thereof through DTC Participants. The Bonds will bear interest at the annual rates shown below, payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2016, calculated on the basis of a 360-day year consisting of twelve 30-day months.

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., which will in turn remit principal and interest payments on the Bonds to DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. Purchasers will not receive physical delivery of Bonds purchased by them. See "DESCRIPTION OF THE BONDS-Book-Entry-Only System." U.S. Bank National Association, Olive Branch, Mississippi, is the registration and paying agent for the Bonds (the "Registration Agent").

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the County. See “Security and Sources of Payment” herein. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

The Bonds are subject to redemption prior to their stated maturities as more fully set forth herein.

| Maturity (May 1) | Principal | Interest Rate | Yield | CUSIP No.* |
|---|---|---|---|---|
| 2017 | $280,000 | 2.000% | 0.600% | 572257UB7 |
| 2018 | 300,000 | 2.000 | 0.750 | 572257UC5 |
| 2019 | 305,000 | 2.000 | 0.850 | 572257UD3 |
| 2020 | 310,000 | 2.000 | 1.000 | 572257UE1 |
| 2021 | 315,000 | 2.000 | 1.100 | 572257UF8 |
| 2022 | 325,000 | 2.000 | 1.200 | 572257UG6 |
| 2023 | 330,000 | 2.000 | 1.300 | 572257UH4 |
| 2024 | 335,000 | 2.000 | 1.400 | 572257UJ0 |
| 2025 | 345,000 | 2.000 | 1.600 C | 572257UK7 |
| 2026 | 350,000 | 2.000 | 1.650 C | 572257UL5 |
| 2027 | 360,000 | 2.000 | 1.750 C | 572257UM3 |
| 2028 | 365,000 | 2.125 | 1.900 C | 572257UN1 |
| 2029 | 370,000 | 2.250 | 2.000 C | 572257UP6 |
| 2030 | 380,000 | 2.500 | 2.150 C | 572257UQ4 |
| 2031 | 390,000 | 2.500 | 2.250 C | 572257UR2 |

C = Yield to call date of May 1, 2024

The Bonds have been designated by the County as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

*The Bonds are offered when, as and if issued, subject to the approval of the legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by William Haywood, Counsel to the County. The Bonds, in book-entry form, are expected to be available for delivery through The Depository Trust Company in New York, New York, on or about March 23, 2016.*

GUARDIAN ADVISORS, LLC
Municipal Advisor

RAYMOND JAMES®

March 8, 2016

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* 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 Bondholders. Neither the Underwriter nor the County is 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. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement has been prepared by:

GUARDIAN ADVISORS, LLC

Municipal Advisor to Marshall County

Guardian Advisors, LLC provides fiduciary services only and does not broker, underwrite or deal in securities. Any investment interest in the Bonds herein described will be referred to the Underwriter.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") by Marshall County, Tennessee (the "County") from time to time, may be treated as an Official Statement with respect to the Bonds described herein that is deemed final by the County as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the County or by Guardian Advisors, LLC (the "Municipal Advisor") to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the County or the Bonds must not be relied upon as having been authorized by the County or the Municipal Advisor. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date as of which information is given in this Official Statement.

In making an investment decision, investors must rely on their own examination of the County and the terms of the offering, including the merits and risks involved. No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

*The material contained herein has been obtained from sources believed to be current and reliable, but the accuracy thereof is not guaranteed. The Official Statement contains statements which are based upon estimates, forecasts, and matters of opinion, whether or not expressly so described, and such statements are intended solely as such and not as representations of fact. All summaries of statutes, resolutions, and reports contained herein are made subject to all the provisions of said documents. The Official Statement is not to be construed as a contract with the purchasers of any of Marshall County, Tennessee General Obligation School Refunding Bonds, Series 2016.*

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MARSHALL COUNTY, TENNESSEE

The Honorable Joe Boyd Liggett, County Mayor

**Board of County Commissioners**

| | | |
|---|---|---|
| Dean Delk | Mike Waggoner | E.W. Hill, Jr. |
| Joseph Warner | Anna Childress | R.L. Williams |
| Mickey King | Jennifer Smith | Tony Beyer |
| Wesley Neece | Sheldon Davis | John Christmas |
| Seth Warf | Daniel Morgan | Phil Willis |
| Tina Lilly | Bob Hopkins III | Glen White |

**Director of Accounts and Budgets**

Malinda White

**County Officials**

Daphne Fagan-Girts, County Clerk
Marilyn Ervin, County Trustee
Michelle Campbell, Tax Assessor
Jackie Abernathy, Director of Schools

**County Attorney**

William Haywood
Lewisburg, Tennessee

**Municipal Advisor**

Guardian Advisors, LLC
Hohenwald, Tennessee

**Bond Counsel**

Bass, Berry & Sims PLC
Nashville, Tennessee

**Registration and Paying Agent**

U.S. Bank National Association
Olive Branch, Mississippi

**Underwriter**

Raymond James & Associates, Inc.
Dallas, Texas

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# SUMMARY STATEMENT

*This Summary is expressly qualified by the entire Official Statement which should be viewed in its entirety by potential investors.*

| | |
|---|---|
| ISSUER ...................................................... | Marshall County, Tennessee (the "County"). |
| ISSUE ...................................................... | $5,060,000 General Obligation School Refunding Bonds, Series 2016 (the "Bonds"), dated March 23, 2016, maturing May 1, 2017 through May 1, 2031, inclusive, with interest payable each May 1 and November 1, commencing November 1, 2016. |
| PURPOSE .................................................... | (i) refund the County's School Bonds, Series 2006, dated January 1, 2006, maturing May 1, 2031 and (ii) pay costs incident to the issuance and sale of the Bonds. |
| OPTIONAL REDEMPTION .......................... | Bonds maturing May 1, 2025 and thereafter are subject to redemption prior to maturity at the option of the County on and after May 1, 2024 at the price of par plus interest accrued to the redemption date. |
| SECURITY.................................................... | Unlimited ad valorem taxes to be levied on all taxable property within the County. The full faith and credit of the County are irrevocably pledged to the prompt payment of principal of and interest on the Bonds. |
| RATING ...................................................... | The Bonds have been assigned a rating of "Aa2" by Moody's Investors Service ("Moody's"), based on documents and other information provided by the County. The rating reflects only the view of Moody's, and neither the County nor the Municipal Advisor makes any representation as to the appropriateness of such rating.<br><br>There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by Moody's if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds. Any explanation of the significance of the rating may be obtained from Moody's. |
| TAX MATTERS ........................................... | Bass, Berry & Sims PLC will provide an unqualified opinion as to the tax exemption of the Bonds discussed under "TAX MATTERS" herein. |
| BANK QUALIFICATION .............................. | The Bonds will be "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. |
| REGISTRATION AND PAYING AGENT...... | U.S. Bank National Association, Olive Branch, Mississippi |
| MUNICIPAL ADVISOR................................. | Guardian Advisors, LLC, Hohenwald, Tennessee |

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# OFFICIAL STATEMENT

## MARSHALL COUNTY, TENNESSEE

## $5,060,000 GENERAL OBLIGATION SCHOOL REFUNDING BONDS, SERIES 2016 (BANK QUALIFIED)

The purpose of this Official Statement, including the appendices attached hereto, is to set forth certain information concerning Marshall County, a political subdivision of the State of Tennessee (the "County"), and its $5,060,000 General Obligation School Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to the authority of Sections 9-21-101, et seq. Tennessee Code Annotated (the "Act") and a resolution of the Board of County Commissioners of the County, adopted on January 25, 2016 (the "Resolution"). The Resolution authorizes and sets forth the terms and conditions of the Bonds and authorizes the issuance of bonds in an aggregate principal amount up to $5,500,000.

The proceeds from the sale of the Bonds will be used for the purpose of providing funds to (i) refund the County's School Bonds, Series 2006, dated January 1, 2006, maturing May 1, 2031 (the "Outstanding Bonds") and (ii) pay costs incident to the issuance and sale of the Bonds. For a more complete description of the use of Bond proceeds, see the sections entitled "THE BONDS" – Disposition of Bond Proceeds" and "THE BONDS" – Plan of Refunding" contained herein.

Included in this Official Statement are descriptions of the Bonds, the Resolution and the County. All references to the Resolution are qualified in their entirety by references to the document itself. All capitalized terms used herein and not otherwise defined have the meanings set forth in the Resolution. Copies of the Resolution and any other documents described in this Official Statement may be obtained from the office of the County Mayor.

## THE BONDS

### Description

The Bonds, dated as of March 23, 2016, will be issued as fully registered book-entry Bonds, without coupons, in denominations of $5,000 or any integral multiple thereof. The Bonds will mature on the dates and in the amounts set forth on the cover page and bear interest at the rates per annum set forth on the cover page calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest on the Bonds will be payable semiannually on May 1 and November 1 of each year (herein an "Interest Payment Date"), commencing November 1, 2016.

The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. U.S. Bank National Association, Olive Branch, Mississippi (the "Registration Agent"), will make all interest payments with respect to the Bonds on each Interest Payment Date directly to the registered owners 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 owners at their addresses shown on said 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 County in respect of such Bonds to the extent of the payments so made. 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. In the event the Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the Owner of at least $1,000,000 in aggregate principal amount of the Bonds, payment of interest on such Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the County to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: The County shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the County shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall not be more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the County of such Special Record Date and, in the name and at the expense of the County, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the County to punctually pay or duly provide for the payment of principal of and interest on the Bonds when due.

## Optional Redemption

The Bonds maturing May 1, 2017 through May 1, 2024 shall mature without option of prior redemption. The Bonds maturing May 1, 2025 and thereafter shall be subject to redemption prior to maturity at the option of the County on May 1, 2024 and thereafter as a whole or in part at any time at the redemption price of par, plus interest accrued to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board of County Commissioners of the County in its discretion. If less than all of the Bonds within a single maturity shall be called for redemption, the interest 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 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.

## Notice of Redemption

Notice of call for redemption 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 or certified 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, notices of which shall be 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. 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.

## Security and Sources of Payment

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

## Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). Only one fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with Direct Participants, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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 Bond ("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, but Beneficial Owners are expected to receive written confirmation 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 interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible 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).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with 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 Registration Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or 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.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The 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 takes no responsibility for the accuracy thereof.

THE COUNTY AND THE REGISTRATION AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OR ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

## Disposition of Bond Proceeds

The following tables set forth the estimated sources and uses of the funds in connection with the issuance of the Bonds.

| | | | |
|---|---|---|---|
| Sources: | Bond Proceeds | $ | 5,060,000.00 |
| | Original Issue Premium | | 152,066.55 |
| | Issuer Contribution | | 343,198.18 |
| | Total | $ | 5,555,264.73 |
| Uses: | Deposit to Escrow Fund | $ | 5,462,734.91 |
| | Underwriter's Discount | | 33,059.07 |
| | Costs of Issuance | | 59,470.75 |
| | Total | $ | 5,555,264.73 |

## Plan of Refunding

As provided herein, the Bonds are being issued to provide funds for the (a) refunding of the County's Outstanding Bonds and (b) payment of costs incident to the issuance and sale of the Bonds. A portion of the proceeds of the Bonds, together with other legally available funds of the County, will be deposited in an escrow fund established with U.S. Bank National Association, Olive Branch, Mississippi, as Escrow Agent under the Escrow Agreement. The monies in the escrow fund will be used to purchase investments authorized under Tennessee law sufficient to redeem the Outstanding Bonds on the earliest possible redemption date therefor. Neither the principal of nor the interest on said escrow investments will be available for payment of the Bonds.

## Defeasance

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

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

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

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

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

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

Except as otherwise provided in the Resolution, neither Federal Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Federal 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 Federal 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 Federal 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. Federal Obligations means 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 defeasance of bonds, 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.

## FUTURE BONDS

The County does not expect to issue any other general obligation debt in calendar year 2016. It is not possible, however, to foresee all capital needs, and circumstances may change.

## LITIGATION

There is no litigation of any nature now pending or, to the knowledge of the County, threatened to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the County taken with respect to the issuance and sale of the Bonds, the pledge or application of any monies or security provided for the payment of the Bonds or the existence or the powers of the County insofar as they relate to the authorization, sale and issuance of the Bonds or such pledge or application of monies and security.

## RATINGS

The Bonds have been assigned a rating of "Aa2" by Moody’s Investors Service ("Moody’s") based on documents and other information provided by the County. The rating reflects only the view of Moody’s, and neither the County nor the Municipal Advisor makes any representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by Moody’s if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds. Any explanation of the significance of the rating may be obtained from Moody’s.

## APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Bond Counsel. A copy of the opinion will be delivered with the Bonds. (See Appendix A). Certain legal matters will be passed upon for the County by William Haywood, Esq., Lewisburg, Tennessee, Counsel to the County.

## TAX MATTERS

### Federal

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

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986 (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.

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" below in this heading.

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

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

*Information Reporting and Backup Withholding*.  Unless the recipient is otherwise exempt, interest on the Bonds is subject to Federal information reporting requirements which can be generally satisfied upon the filing of a Form W-

9, "Request for Taxpayer Identification Number and Certification." Failure to satisfy the information reporting requirements does not affect the excludability of the interest on the Bonds, but will result in a tax being withheld from the interest payment, calculated as set forth in the Code. Once the required information is provided, such amounts withheld would be allowed as a refund or credit against the Bondholder's Federal income tax.

*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.

### 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 and Congressional 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. For example, various proposals have been made in Congress and by the President which, if enacted, would subject interest on bonds, such as the Bonds, that is otherwise excluded from gross income for federal income tax purposes, to a tax payable by certain bondholders with an adjusted gross income in excess of certain proposed thresholds. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Bonds 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. 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.

### Miscellaneous

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

## THE UNDERWRITER

Raymond James & Associates, Inc., Dallas, Texas (the "Underwriter"), acting for and on behalf of itself and such other securities dealers as may be designated, will purchase the Bonds for an aggregate purchase price of

$5,179,007.48 (consisting of $5,060,000.00 aggregate principal amount, less $33,059.07 underwriter's discount, plus $152,066.55 original issue premium).

The Underwriter may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

## 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 and to provide notice of the occurrence of certain enumerated events. The financial information and operating data and notices of events will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at emma.msrb.org and with any State Information Depository which may hereafter be established in Tennessee. The specific nature of the information to be contained in the Annual Report or the notices of events can be found in the form of the Continuing Disclosure Certificate attached hereto as Appendix B. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule"). Certain of the County's prior bond issues were insured by bond insurance companies that experienced rating downgrades beginning in 2008. The County did not timely file notice of these bond insurer downgrades, the information on which was widely available and reported to the market. The County has since filed notice of the bond insurer downgrade for all insured bonds still outstanding.

## MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders of the Bonds. Any of the estimates is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is deemed near final for the purposes of the Rule and does not contain any untrue statement of a material fact which should be included in this Official Statement for the purpose for which the Official Statement is to be used, or which is necessary in order to make statements herein contained, in light of the circumstances under which they were made not misleading in any material respect.

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CERTIFICATE OF ISSUER

I, Joe Boyd Liggett, do hereby certify that I am the duly qualified and acting County Mayor of Marshall County, Tennessee, and as such official, I do hereby further certify with respect to the Official Statement issued in connection with the sale of its General Obligation School Refunding Bonds, Series 2016, dated March 23, 2016, of said County that to the best of my knowledge, information and belief (a) the description and statements contained in said Official Statement were at the time of the acceptance of the winning bid and are on the date hereof true and correct in all material respects; and (b) that said Official Statement did not at the time of acceptance of the winning bid and does not on the date hereof contain any untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

WITNESS my official signature this 8th day of March, 2016

/s/ Joe Boyd Liggett
County Mayor

I, Daphne Fagan-Girts, do hereby certify that I am the duly qualified and acting County Clerk of Marshall County, Tennessee, and as such official I do hereby further certify that Joe Boyd Liggett is the duly qualified and acting County Mayor of said County and that the signature appended to the foregoing certificate is the true and genuine signature of such official.

WITNESS my official signature and the seal of Marshall County, Tennessee as of the date subscribed to the foregoing certificate.

/s/ Daphne Fagan-Girts
County Clerk

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<u>APPENDIX A</u>

Form of Bond Counsel Opinion of Bass, Berry & Sims PLC,
Nashville, Tennessee relating to the Bonds.

(Form of Opinion of Bond Counsel)

Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, Tennessee 37201

March 23, 2016

We have acted as bond counsel to Marshall County, Tennessee (the "Issuer") in connection with the issuance of $5,060,000 General Obligation School Refunding Bonds, Series 2016, dated the date hereof (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 general obligations of the Issuer.

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

3. The Bonds constitute general obligations of the Issuer 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.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of alternative minimum tax on corporations. 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 (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and in Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) 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.

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

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

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

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

Yours truly,

Bass, Berry & Sims PLC

# APPENDIX B

Form of Continuing Disclosure Certificate.

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FORM OF
CONTINUING DISCLOSURE CERTIFICATE

This Disclosure Certificate (this "Disclosure Certificate") is executed and delivered this 23rd day of March, 2016 by Marshall County, Tennessee (the "Issuer") in connection with the issuance of $5,060,000 in aggregate principal amount of its General Obligation School Refunding Bonds, Series 2016 (the "Bonds"). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Beneficial Owners (as herein defined) of the Bonds and in order to assist the Participating Underwriter (as herein defined) in complying with the Rule (as herein defined).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution (as herein defined), which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to the Rule and this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" means the Issuer, or any successor designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Fiscal Year" shall mean any period of twelve (12) consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"Official Statement" shall mean the Official Statement of the Issuer relating to the Bonds.

"Participating Underwriter" shall mean Raymond James & Associates, Inc., Dallas, Texas.

"Resolution" shall mean the Resolution of the Issuer pursuant to which the Bonds were issued, adopted January 25, 2016.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Tennessee.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository to which continuing disclosure information shall be sent pursuant to State law. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. The Issuer shall, or shall cause the Dissemination Agent to, not later than one (1) year after the end of the Issuer's fiscal year, commencing with the report for the Fiscal Year ending June 30, 2016, provide to the MSRB and to the State Repository, if any, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) If audited financial statements of the Issuer are not yet available, the unaudited financial statements of the Issuer, and when audited financial statements are available, the audited financial statements of the Issuer, both such types of financial statements to be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Such financial statements shall be accompanied by an audit report resulting from an audit conducted by an independent certified public accountant or firm of independent certified public accountants in conformity with generally accepted auditing standards.

(b) If the accounting principles changed from the previous Fiscal Year, a description of the impact of the change as required by Section 8 of this Disclosure Certificate.

(c) A statement indicating that the Fiscal Year has not changed, or, if the Fiscal Year has changed, a statement indicating the new Fiscal Year.

(d) An update of the information in the Official Statement under the following headings:

1. "Combined Statement of Revenues and Expenditures, All Government Fund Types for the Fiscal Year";

2. "Statement of Fund Balances ";

3. "Property Tax Base";

4. "Property Tax Rates, Assessments, Levies and Collections";

5. "Property Tax Rates and Allocations ";

6. "Top Ten Taxpayers";

7. "Per Capita Ratios";

8. "Sales Tax Receipts";

9. "Wheel Tax Receipts";

10. "Outstanding Debt"; and

11. "Debt Service Requirements".

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) 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.

(vii) Modifications to rights of the security holders, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the security, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(xiii) 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.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer 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 State Repository, if any.

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

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance (within the meaning of the Rule), prior redemption or payment in full of all of the Bonds. If the Issuer's obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Issuer, and the original Issuer shall have no further responsibility hereunder.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and the Issuer may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Issuer shall be the dissemination agent.

SECTION 8. Amendment. This Disclosure Certificate may not be amended unless independent counsel experienced in securities law matters has rendered an opinion to the Issuer to the effect that the amendment does not violate the provisions of the Rule.

In the event that this Disclosure Certificate is amended or any provision of the Disclosure Certificate is waived, the notice of a Listed Event pursuant to Section 5(a)(vii) hereof shall explain, in narrative form, the reasons for the amendment or wavier and the impact of the change in the type of operating data or financial information being provided in the Annual Report. If an amendment or waiver is made in this Disclosure Certificate which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles shall be deemed to be material and shall be sent to the MSRB and each State Repository.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of any party to comply with this Disclosure Certificate shall be an action to compel performance. The cost to the Issuer of performing its obligations under the provisions of this Disclosure Certificate shall be paid solely from funds lawfully available for such purpose.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent may consult with counsel (who may, but need not, be counsel for any party hereto or the Issuer), and the opinion of such Counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such Counsel. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Intermediaries; Expenses. The Dissemination Agent is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorneys' fees).

SECTION 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State.

SECTION 15. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SECTION 16. Filings with the MSRB. All filings required to be made with the MSRB shall be made electronically at emma.msrb.org, shall be accompanied by identifying information as prescribed by the MSRB and shall be submitted in any other manner pursuant to, and in accordance with, SEC Release No. 34-59062.

MARSHALL COUNTY, TENNESSEE

By: ______________________________
County Mayor

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# APPENDIX C

Supplemental Information Regarding the County.

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## THE ISSUER

### The County

Marshall County was established in 1836 and is governed by a County Mayor and an 18-member Board of Commissioners, all of which serve 4-year terms. Marshall County is located in the south-central portion of the State of Tennessee, with Lewisburg, the county seat, located approximately 52 miles south of Nashville. The County has an approximate land area of 241,280 acres, with approximately 88% being in farmland. In addition to livestock and livestock products, principal crops include corn, hay, wheat and other grains. The County is known primarily for Tennessee walking horses, registered dairy cattle and being the location of the State of Tennessee's Henry Horton State Park, which provides residents and tourists with outdoor recreational activities. The park covers 1,527 acres, borders the shores of the historic Duck River and features an 18-hole golf course.

The County provides public services including law enforcement, fire protection, highway and bridge maintenance, public education, water service, ambulance and emergency response service and solid waste disposal. The County currently has approximately 987 employees, of which approximately 749 are employed by the County Board of Education. Transportation facilities are provided by U.S. Interstate 65, U.S. Highway 431 and State Highways 31A, 50, 272, 129, 271, 130, 99, 417, 373 and 64. The County has four incorporated cities: Lewisburg, the County seat, Chapel Hill, Cornersville, and Petersburg.

Population trends for the County are as follows:

| | | | |
|---|---|---|---|
| 1960 | 16,859 | 1990 | 21,539 |
| 1970 | 17,319 | 2000 | 26,767 |
| 1980 | 19,698 | 2010 | 30,617 |

Source: U.S. Census Bureau

### Industry

Leading industries and companies located in the County are as follows:

| Industry | Employees | Type Business |
|---|---|---|
| CKNA (formerly Kantus) | 1,200 | Plastic Injection Moldings |
| Walker Die Casting | 850 | Aluminum Die Casting |
| Teledyne, Inc. | 340 | Circuit Boards |
| Nichirin Lewisburg, Inc. | 265 | Automotive Wire harnesses |
| International Comfort Products | 220 | Warehouse/Distribution |
| Talos | 150 | Systems manufacturing/integration |
| West Rock | 120 | Corrugated Shipping Containers |
| Lewisburg Printing | 118 | Printing/Media |
| Berry Plastics (Pliant Corp.) | 115 | Polyethylene film packaging |
| ACE Bayou | 80 | Bean bags |
| Autom Religious Items | 80 | Religious products distribution |
| Imperial Foods | 58 | Food/Beverage Distributor |
| Rosemill Packaging Resources | 55 | Wood/Cardboard packaging |
| Moon Products | 52 | Pencils/Erasers |
| Dole Refrigeration | 52 | Truck Refrigeration Systems |
| Metro Door | 52 | Security gates/doors/shutters |
| Ditech Testing | 51 | Propane tanks |
| Genesco | 49 | Distribution |
| Southern Carton | 48 | Corrugated cartons/die cuts |

Source: Marshall County Chamber of Commerce

## Employment

Employment information for Marshall County and the State of Tennessee was supplied by the Tennessee Department of Labor and Workforce Development.

| | Labor Force | | Employed Persons | | Unemployment Rate | |
|---|---|---|---|---|---|---|
| Year | County | State | County | State | County | State |
| 2003 | 13,190 | 2,885,000 | 11,880 | 2,720,700 | 10.0% | 5.7% |
| 2004 | 12,720 | 2,891,500 | 11,820 | 2,733,800 | 7.1% | 5.5% |
| 2005 | 12,540 | 2,942,300 | 11,730 | 2,778,500 | 6.5% | 5.6% |
| 2006 | 12,720 | 3,009,000 | 11,910 | 2,852,800 | 6.3% | 5.2% |
| 2007 | 12,910 | 3,021,900 | 11,890 | 2,873,600 | 7.9% | 4.9% |
| 2008 | 12,580 | 3,050,300 | 11,400 | 2,846,100 | 9.4% | 6.7% |
| 2009 | 12,400 | 3,020,000 | 10,250 | 2,703,000 | 17.3% | 10.5% |
| 2010 | 12,520 | 3,084,100 | 10,470 | 2,783,000 | 16.4% | 9.8% |
| 2011 | 12,450 | 3,132,700 | 10,740 | 2,845,000 | 13.7% | 9.2% |
| 2012 | 12,430 | 3,099,700 | 11,010 | 2,846,400 | 11.3% | 8.2% |
| 2013 | 14,390 | 3,081,500 | 13,210 | 2,842,200 | 8.2% | 7.8% |
| 2014 | 14,360 | 3,011,500 | 13,440 | 2,810,900 | 6.4% | 6.7% |
| *Dec/15 | 14,760 | 3,078,300 | 13,910 | 2,914,500 | 5.7% | 5.3% |

* Latest Estimates

## 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 fund types of the County. Revenues for such funds are recognized as 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, which are fully expended at the time of payment.

## Investment and Cash Management Policies

Investment of County operating funds is controlled by state statute and local policies and administered by the County Trustee. Generally, such policies limit investment instruments to direct United States Government obligations, those issued by United States Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by collateral pledges at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loans associations must be collateralized as shown 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 of trusts upon residential property in the state equal to at least 150% of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost, which approximates market value. The County Trustee is responsible for all County investments.

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## Combined Statement of Revenues and Expenditures, All Governmental Fund Types
**(extracted from audited annual reports)**

| | Audited 2012 | Audited 2013 | Audited 2014 | Audited 2015 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Local Taxes | $ 23,505,211 | $ 24,416,768 | $ 25,017,337 | $ 26,005,570 |
| Licenses & Permits | $ 112,604 | $ 135,537 | $ 199,252 | $ 204,314 |
| Forfeitures & Penalties | $ 169,851 | $ 179,108 | $ 180,894 | $ 174,393 |
| Charges for Current Services | $ 2,508,561 | $ 2,550,288 | $ 2,565,239 | $ 2,960,354 |
| Other Local Revenues | $ 752,034 | $ 948,874 | $ 1,248,688 | $ 1,346,265 |
| Fees from County Officials | $ 1,379,360 | $ 1,430,457 | $ 1,500,123 | $ 1,495,427 |
| State of Tennessee | $ 27,763,167 | $ 28,886,478 | $ 31,307,963 | $ 30,217,811 |
| Federal Government | $ 5,764,332 | $ 5,180,970 | $ 5,471,722 | $ 5,084,572 |
| Other Governmental Groups | $ 1,425,093 | $ 800,723 | $ 6,365,135 | $ 14,161,903 |
| Total Revenues | $ 63,380,213 | $ 64,529,203 | $ 73,856,353 | $ 81,650,609 |
| **Other Sources:** | | | | |
| Premiums on Debt Issued | $ - | $ 76,150 | $ 86,492 | $ 561,140 |
| Proceeds from Refunding Debt | $ 1,068,249 | $ - | $ - | $ 4,105,000 |
| New Debt Proceeds | $ - | $ 6,475,000 | $ 5,945,000 | $ 13,550,000 |
| Insurance Recovery | $ 16,236 | $ 115,805 | $ 47,879 | $ 27,128 |
| Operating Transfers | $ 267,943 | $ 147,429 | $ 674,426 | $ 347,995 |
| **Total Revenues/Other sources** | **$ 64,732,641** | **$ 71,343,587** | **$ 80,610,150** | **$ 100,241,872** |
| **Expenditures:** | | | | |
| General | $ 1,142,608 | $ 1,252,526 | $ 1,247,068 | $ 1,290,889 |
| Finance | $ 1,125,873 | $ 1,203,116 | $ 1,252,010 | $ 1,252,129 |
| Administration of Justice | $ 929,804 | $ 962,889 | $ 1,032,837 | $ 979,012 |
| Public Safety | $ 3,698,049 | $ 3,795,450 | $ 3,954,023 | $ 3,799,562 |
| Public Health & Welfare | $ 2,921,047 | $ 3,479,149 | $ 4,570,022 | $ 3,908,828 |
| Social, Cultural & Recreational | $ 344,944 | $ 346,731 | $ 348,610 | $ 351,176 |
| Agricultural & Natural Resources | $ 108,852 | $ 114,494 | $ 119,243 | $ 124,982 |
| Other Operations | $ 307,309 | $ 1,098,495 | $ 754,843 | $ 813,625 |
| Highways | $ 2,761,045 | $ 2,561,531 | $ 3,564,905 | $ 2,673,992 |
| Support Services | $ 443,811 | $ 278,144 | $ 389,418 | $ - |
| Capital Outlay | $ - | $ 14,383 | $ - | $ 71,317 |
| Education Instruction | $ 26,081,994 | $ 25,433,834 | $ 24,929,062 | $ 25,481,213 |
| Support Services for Education | $ 12,806,242 | $ 13,078,828 | $ 13,791,651 | $ 13,767,724 |
| Non-Instructional Services | $ 2,981,485 | $ 3,361,404 | $ 3,389,625 | $ 3,469,958 |
| Education Capital Outlay | $ 107,511 | $ 33,987 | $ 880,694 | $ 272,555 |
| Principal on Debt | $ 4,042,043 | $ 5,714,286 | $ 3,701,088 | $ 3,107,912 |
| Interest on Debt | $ 1,184,226 | $ 1,100,194 | $ 1,113,798 | $ 1,258,017 |
| Other Debt Service | $ 152,422 | $ 339,630 | $ 340,809 | $ 5,439,258 |
| Capital Projects | $ 2,837,281 | $ 2,039,071 | $ 7,995,729 | $ 30,022,451 |
| Total Expenditures/Other sources | $ 63,976,546 | $ 66,208,142 | $ 73,375,435 | $ 98,084,600 |
| **Other Uses:** | | | | |
| Payments to Rfg Debt Escrow | $ - | $ - | $ - | $ - |
| Operating Transfers | $ 334,703 | $ 147,429 | $ 674,426 | $ 347,995 |
| Total Expenditures | **$ 64,311,249** | **$ 66,355,571** | **$ 74,049,861** | **$ 98,432,595** |
| Excess (Deficiency) | $ 421,392 | $ 4,988,016 | $ 6,560,289 | $ 1,809,277 |
| Combined Fund Balance (Beginning) | $ 15,946,978 | $ 16,368,370 | $ 21,356,386 | $ 27,916,675 |
| Adjustment(s) | $ - | $ - | $ - | $ - |
| **Combined Fund Balance (Ending)** | **$ 16,368,370** | **$ 21,356,386** | **$ 27,916,675** | **$ 29,725,952** |

## Statement of Fund Balances (extracted from audited annual reports)

| | 06/30/2012 | 06/30/2013 | 06/30/2014 | 06/30/2015 |
|---|---|---|---|---|
| General Fund | $4,334,672 | $5,055,109 | $ 5,324,715 | $ 5,956,717 |
| Highways | 743,250 | 793,604 | 484,968 | 700,404 |
| Debt Service | 4,887,023 | 5,850,233 | 6,707,885 | 7,494,563 |
| Capital Projects | 0 | 0 | 0 | 8,984 |
| Other Capital Projects | 1,382,646 | 0 | 1,003,169 | 1,480,288 |
| Non-Major Governmental | 0 | 4,260,918 | 3,433,756 | 2,530,858 |
| General Purpose School | 4,032,768 | 4,282,314 | 5,006,802 | 5,802,398 |
| Education Cap. Projects Fund | 0 | 0 | 5,101,728 | 4,759,970 |
| Other Non-Major School Funds | 988,011 | 1,114,388 | 853,652 | 991,770 |
| | $16,368,370 | $ 21,356,386 | $27,916,675 | $29,725,952 |

## Statement of Proposed Operations for Fiscal Year 2016

| | Fund Balance 07/01/15 | Estimated Revenue | Estimated Available Funds | Estimated Expenditures | Fund Balance 06/30/16 |
|---|---|---|---|---|---|
| County General | $ 5,366,681 | $ 12,609,508 | $ 17,946,189 | $ 12,734,850 | $ 5,211,339 |
| Juvenile Services | 10,877 | 60,000 | 70,877 | 68,800 | 2,077 |
| Solid Waste | 383,101 | 1,302,743 | 1,685,844 | 1,302,743 | 383,101 |
| Joint Economic Development | 68,601 | 82,000 | 150,601 | 87,000 | 63,601 |
| Drug Control | 58,915 | 13,610 | 75,525 | 2,856 | 69,669 |
| Highway Fund | 543,344 | 3,281,825 | 3,825,169 | 3,575,498 | 249,671 |
| General Purpose School | 3,989,538 | 37,519,949 | 41,509,487 | 39,230,167 | 2,279,320 |
| Food Service | 664,548 | 3,142,589 | 3,807,137 | 3,237,381 | 569,756 |
| Debt Service | 7,373,229 | 4,912,080 | 12,285,309 | 4,754,500 | 7,530,809 |
| School Bus Acquisition | 1,537,761 | 225,000 | 1,762,761 | 418,000 | 1,344,761 |
| Other Capital Projects | 1,438,247 | 1,317,075 | 2,755,322 | 757,800 | 1,997,522 |
| Totals | $ 21,404,842 | $ 64,466,379 | $ 85,871,221 | $ 66,169,595 | $ 19,701,626 |

Source: Fiscal Year 2016 Marshall County Budget.

## Property Tax

The County is authorized to levy a tax on all property within the County without limitation as to rate or amount. All real and personal property within the County is assessed in accordance with the State constitution and statutory provisions by the County Tax Assessor except most utility property, which is assessed by the State Public Service Commission. All property taxes are due on October 1 of each year based on appraisals as of January 1 of the same calendar. All property taxes are delinquent on March 1 of the following calendar year.

All property in the State of Tennessee must be appraised on a continuous six (6) year cycle composed of an on-sight review of each parcel of property over a five (5) year period followed by reevaluation of all such property in the year following the completion of the review as required by Title 67, Chapter 5, Part 16, Tennessee Code Annotated, as amended. In the second and fourth years of the review, all real property values must be updated by application of an index or indexes established for each jurisdiction by the State Board of Equalization, so as to maintain real property values at full value as defined in Title 67, Chapter 5, Part 6, Tennessee Code Annotated, as amended. The State Board of Equalization must also consider any plan submitted by a local tax assessor which would have the effect of maintaining real property values at full value. This alternative plan may be used instead of indexing.

Upon completion of the reappraisal and reassessment processes, the governing body of the County and the municipalities located in the County must determine and certify a tax rate which will provide the same ad valorem tax revenue for the jurisdiction as was levied prior to reappraisal and reassessment, as required by Title 67, Chapter 5, Part 17, Tennessee Code Annotated, as amended. The estimated assessed value of all new construction and improvements placed on the tax rolls since the previous year, and the assessed value of all deletions from the previous tax roll are excluded in computing the new tax rate. As a result, the property tax rate is adjusted preventing a taxing unit from collecting additional property tax revenues solely as a result of reappraisal. Upon compliance with state law and certification of a tax rate providing the same property tax revenue as was collected before reappraisal, a governing body may vote thereafter to approve a tax rate change which would produce more or less tax revenue. The County's last reappraisal program, conducted by the State Board of Equalization, Division of Property Assessment, was completed and went into effect in 2012.

## Property Tax Base

The following information on assessed property tax values for Tax Year 2015 was supplied by the Marshall County Assessor of Property Office.

| Property Classification: | Assessed Value: |
|---|---|
| Real Property: | |
| Industrial and Commercial | $118,267,875.00 |
| Residential | 238,982,430.00 |
| Farm, Open Space, Agricultural, Forest and Mineral | 94,744,555.00 |
| Public Utility | 42,402,326.00 |
| Total Real Property | $494,397,186.00 |
| | |
| Personal Property: | |
| Industrial, Commercial and Public Utility | $ 73,574,030.00 |
| Total Real and Personal Property | 567,971,216.00 |

## Property Tax Rates, Assessments, Levies and Collections

| Tax Year | Tax Rate | Assessed Valuations | Taxes Levied | Uncollected Taxes Filed in Chancery Court as of 06/30/2015 |
|---|---|---|---|---|
| 2003 | 3.14 | 429,547,600 | 13,487,794 | 2,712 |
| 2004 | 3.14 | 427,145,467 | 13,412,368 | 14,866 |
| 2005 | 3.14 | 439,047,026 | 13,786,077 | 10,568 |
| 2006 | 3.14 | 452,806,306 | 14,218.118 | 11,924 |
| 2007 | 3.09 | 530,449,071 | 16,390,876 | 17,929 |
| 2008 | 3.09 | 546,239,472 | 16,878,800 | 25,573 |
| 2009 | 3.09 | 550,546,694 | 17,011,893 | 19,267 |
| 2010 | 3.09 | 543,734,192 | 16,801,386 | 17,471 |
| 2011 | 3.09 | 546,740,701 | 16,894,288 | 11,748 |
| 2012 | 3.22 | 536,660,530 | 17,280,468 | 15,710 |
| 2013 | 3.22 | 546,654,547 | 17,602,276 | 77,220 |
| 2014 | 3.22 | 543,847,169 | 17,511,879 | N/A |
| 2015 | 3.22 | 567,971,216* | 18,288,673* | N/A |

* Estimated.

Source: County Trustee; Assessor of Property; Comprehensive Annual Financial Reports of the County

## Property Tax Rates and Allocations

| Tax Year | General Fund | Highways | Capital Outlay | Gen. Purpose Schools | Debt Service | Sch. Bus Acquisition | Total |
|---|---|---|---|---|---|---|---|
| 2005 | 0.85 | 0.07 | 0.00 | 1.95 | 0.27 | 0.00 | 3.14 |
| 2006 | 0.95 | 0.07 | 0.00 | 1.95 | 0.17 | 0.00 | 3.14 |
| 2007 | 0.93 | 0.08 | 0.00 | 1.67 | 0.40 | 0.01 | 3.09 |
| 2008 | 0.93 | 0.08 | 0.00 | 1.67 | 0.40 | 0.01 | 3.09 |
| 2009 | 0.93 | 0.08 | 0.00 | 1.67 | 0.40 | 0.01 | 3.09 |
| 2010 | 0.93 | 0.08 | 0.00 | 1.67 | 0.40 | 0.01 | 3.09 |
| 2011 | 0.93 | 0.08 | 0.00 | 1.67 | 0.40 | 0.01 | 3.09 |
| 2012 | 0.93 | 0.08 | 0.13 | 1.67 | 0.40 | 0.01 | 3.22 |
| 2013 | 0.93 | 0.08 | 0.13 | 1.67 | 0.40 | 0.01 | 3.22 |
| 2014 | 0.93 | 0.08 | 0.13 | 1.67 | 0.40 | 0.01 | 3.22 |
| 2015 | 0.99 | 0.08 | 0.23 | 1.67 | 0.25 | 0.00 | 3.22 |

Source: Marshall County Office of Accounts and Budgets; Comprehensive Annual Financial Reports of the County.

## Top Ten Taxpayers for Tax Year 2015

| Taxpayer | Type Business | Assessed Value | Taxes Levied |
|---|---|---|---|
| Calsonic | Interior/Electronic Auto Parts | $ 19,387,021 | $ 624,262 |
| Duck River | Electric Cooperative | 12,560,072 | 404,435 |
| Walker Die | Aluminum Die Casting | 11,245,151 | 362,094 |
| United Telephone | Telecommunications | 9,938,071 | 320,006 |
| CSX | Railroad | 5,721,174 | 184,222 |
| East TN Gas | Natural Gas | 5,481,665 | 176,510 |
| Wal-Mart | Retail | 5,287,047 | 170,243 |
| International Comfort Products | Central Heat & Air | 5,238,014 | 168,664 |
| A114 Cosmetics | Cosmetics | 5,165,498 | 166,329 |
| Teledyne | Electronic parts supplier | 4,868,302 | 156,759 |
| | | $ 84,892,015 | $ 2,733,524 |

Source: Marshall County Trustee, Marshall County Assessor of Property.

The top ten taxpayers for the tax year 2015, as shown above, represent approximately 14.9465% of the total amount of assessed value of $567,971,216.

## Per Capita Ratios (as of March 08, 2016, including the effect of the Bonds)

| Taxable Property | | Gross Debt: | |
|---|---|---|---|
| Assessed .......................... | $18,550.84 | Gross....................... | $1,753.42 |
| Actual Market Value.......... | $63,922.37 | Net........................... | $1,257.69 |

| | |
|---|---|
| Direct Gross Debt | $ 53,989,325 |
| Less: Series 2006 | -5,365,000 |
| Add: Series 2016 | 5,060,000 |
| Gross Debt | $ 53,684,325 |
| Less: Debt Service Funds | (7,530,809) |
| Less: Revenue Supported Debt | (7,646,914) |
| Net Direct Debt | $ 38,506,602 |

| Per Capita Overlapping Debt | Gross Debt | Net Debt | Net Debt Per Capita |
|---|---|---|---|
| Marshall County | $53,684,325 | $38,506,602 | $1,257.69 |
| City of Chapel Hill | 0 | 0 | 0 |
| City of Cornersville | 0 | 0 | 0 |
| City of Lewisburg | 18,375,972 | 0 | 0 |
| City of Petersburg* | 40,000 | 0 | 0 |
| Total | $72,100,297 | $38,506,602 | $1,257.69 |

* That portion of the City of Petersburg situated in Marshall County (41%).

Marshall County School System

The Marshall County Board of Education (the "Board") provides administrative duties and operational direction for the Marshall County School System (the "School System"). Members of the Board are elected by the voters of Marshall County and consist of nine (9) members. The present members of the Board, their terms of office and their occupations are as follows:

| Board Member | Current Term | Occupation |
|---|---|---|
| Donnie Moses, Chairman | 2014 - 2018 | Business Owner |
| Harvey Jones | 2012 - 2016 | Manufacturing |
| *John Dippole | 2015 - 2016 | Contractor |
| Sheryl McClintock | 2012 - 2016 | Teacher |
| Kristen Gold | 2014 - 2018 | Accountant |
| Susan Hunter | 2012 - 2016 | Admin. Asst. |
| Julie Cathey | 2014 - 2018 | Forecasting |
| John D. Allen | 2014 - 2018 | Farm Evaluator |
| Ken Lilly | 2012 - 2016 | Manufacturing |

* Appointed to fill an unexpired term.

Mrs. Jackie Abernathy was appointed Director of Schools by the Board of Education on March 09, 2012.

Enrollment and Attendance

Enrollment and average daily attendance of the School System for the previous ten (10) years and the average for the current school year was provided by the Board and is detailed in the following table:

| School Year | Net Enrollment/1st month membership | Average Daily Attendance |
|---|---|---|
| 2005-2006 | 5,272 | 4,776 |
| 2006-2007 | 5,337 | 4,977 |
| 2007-2008 | 5,307 | 4,992 |
| 2008-2009 | 5,295 | 4,975 |
| 2009-2010 | 5,530 | 5,250 |
| 2010-2011 | 5,250 | 4,946 |
| 2011-2012 | 5,257 | 4,932 |
| 2012-2013 | 5,283 | 4,984 |
| 2013-2014 | 5,243 | 4,841 |
| 2014-2015 | 5,230 | 4,988 |
| *2015-2016 | 5,354 | 5,136 |

* Most recent month available.

Source: State of Tennessee; Marshall County Board of Education

Existing School Facilities

The Board currently operates schools in three municipalities within Marshall County. There are three (3) elementary schools, one middle school and one high school with vocational instruction in the City of Lewisburg. The Town of Chapel Hill has an elementary school, middle school and High School. The Town of Cornersville has a K-6 elementary school and a High School.

## Sales Tax

### Local Option Sales Tax

Counties and incorporated municipalities are authorized to levy a local option sales tax ("Sales Tax") on the same privileges on which the State levies a sales tax pursuant to Title 67, Chapter 6, Part 7 of Tennessee Code Annotated, as amended (the "Sales Tax Act"). Any Sales Tax rate levied by a county or municipality is limited to two and three-quarters percent (2-3/4%), in addition to the State sales tax rate of seven percent (7%). One-half of all Sales Tax collected throughout the County must be expended for educational purposes. The remaining one-half is remitted to the County or the municipalities located within the County, depending on the jurisdiction in which the tax is collected, and may be used for any County or municipal purpose. However, a county or municipality may provide, by contract, for other distribution of the one-half not allocated to school purposes. Boards of Education have the authority to pledge Sales Tax proceeds designated for school purposes to the payment of principal and interest on school debt obligations. The Sales Tax is collected and administered by the State of Tennessee Department of Revenue (the "Department") and disbursed to the County Trustee on a monthly basis, net of collection and administration fees incurred by the Department. The County Trustee disburses the Sales Tax revenues among the County and its incorporated municipalities.

In 1978 the County raised its local option sales tax rate from 1-1/2% to 2-1/4%. This increase was continued by referendum on September 11, 1984. For the benefit of education debt service, the Board of County Commissioners, on November 15, 1993, adopted a resolution calling for a continuation and extension of the ¾% Sales Tax increase and was approved by referendum on January 11, 1994. The Municipalities of Chapel Hill, Cornersville and Lewisburg have released their portion of the Sales Tax increase for the benefit of education debt service pursuant to resolutions adopted by each Municipality authorizing inter-local agreements entered into by and between each Municipality and the County. In addition, pursuant to a resolution adopted on March 8, 1994, the County Board of Education approved a pledge of its share of the increase to pay education debt service of the County. The ¾% increase in Sales Tax shall continue until such time as said Sales Tax shall be terminated by action of the Board of County Commissioners.

Pursuant to audited financial statements, prior year's sales tax receipts for the entire County are as follows:

| Fiscal Year | Total Sales Tax Receipts | Receipts to Debt Service Fund |
|---|---|---|
| 2000 | $ 4,396,895 | $ 1,457,924 |
| 2001 | 4,658,820 | 1,547,086 |
| 2002 | 4,495,644 | 1,495,546 |
| 2003 | 4,460,671 | 1,486,639 |
| 2004 | 4,519,643 | 1,507,068 |
| 2005 | 4,629,884 | 1,542,952 |
| 2006 | 5,324,968 | 1,777,985 |
| 2007 | 5,519,223 | 1,842,248 |
| 2008 | 5,933,927 | 1,982,785 |
| 2009 | 5,473,939 | 1,809,964 |
| 2010 | 5,266,925 | 1,750,639 |
| 2011 | 5,317,476 | 1,769,402 |
| 2012 | 5,593,154 | 1,907,855 |
| 2013 | 5,911,603 | 1,962,200 |
| 2014 | 6,286,009 | 2,080,536 |
| 2015 | 6,776,834 | 2,251,586 |

Source: Marshall County Office of Accounts and Budgets; Comprehensive Annual Financial Report of the County.

Motor Vehicle Tax

Counties in the State of Tennessee are authorized to levy a motor vehicle tax (the "Wheel Tax"), pursuant to 5-8-102, Tennessee Code Annotated. The County implemented a $25 Wheel Tax in July, 1978, which was continued by referendum in 1984. The Board of County Commissioners adopted a resolution on November 15, 1993 calling for a continuation of the $25 Wheel Tax, of which $17.50 was appropriated to the County's Debt Service Fund for the benefit of education debt service. The remaining Wheel Tax portion went to the County's Highway Department. The Wheel Tax was again continued and extended by referendum on January 11, 1984.

The Board of County Commissioners adopted a resolution on May 13, 1999 authorizing an increase in the Wheel Tax from $25 to $50. The State of Tennessee approved the increase on July 7, 1999 and the increase went into effect on September 1, 1999. Currently, $40.00 of the Wheel Tax is appropriated to the County's Debt Service Fund for the benefit of education debt service, while the Highway Department receives $7.50 and the remaining $2.50 is allocated to the County's General Fund. The Wheel Tax is continued and extended until terminated by the Board of County Commissioners.

Pursuant to audited financial statements, prior year Wheel Tax receipts for the County are as follows:

| Fiscal Year | Total Wheel Tax Receipts | Receipts to Debt Service Fund |
|---|---|---|
| 2000 | $ 973,937 | $ 813,218 |
| 2001 | 1,021,372 | 816,167 |
| 2002 | 1,071,468 | 857,175 |
| 2003 | 1,115,712 | 892,569 |
| 2004 | 1,096,867 | 877,494 |
| 2005 | 1,148,681 | 918,945 |
| 2006 | 1,200,219 | 960,175 |
| 2007 | 1,233,328 | 986,663 |
| 2008 | 1,313,158 | 1,077,852 |
| 2009 | 1,231,252 | 985,001 |
| 2010 | 1,265,488 | 1,012,391 |
| 2011 | 1,267,421 | 1,013,937 |
| 2012 | 1,278,656 | 1,022,925 |
| 2013 | 1,282,154 | 1,025,723 |
| 2014 | 1,342,564 | 1,074,051 |
| 2015 | 1,343,319 | 1,074,655 |

Source: Marshall County Office of Accounts and Budgets; Comprehensive Annual Financial Reports.

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## Outstanding Debt (as of March 08, 2016)

| Description of Debt | | Original Amount | | Unpaid Principal | Coupon Rate | | Remaining FY Debt Service | Final Maturity |
|---|---|---|---|---|---|---|---|---|
| **Capital Outlay Notes** | | | | | | | | |
| Highway Notes, Series 2013, dated 4/16/2013 | $ | 1,000,000 | $ | 335,000 | 1.05% | $ | 336,759 | 4/1/2016 |
| Energy Loan Series 2011, dated 1/1/2012 | $ | 2,982,250 | $ | 1,977,411 | 0.075% | $ | 64,986 | 4/1/2025 |
| **Total Capital Outlay Notes/Loans** | | **$3,982,250** | | **$2,312,411** | | | **$401,745** | |
| ***Water System Debt** | | | | | | | | |
| Wtr Rev & Tax Bonds, Loan 91-16 Series 2013, dated 05/08/2013 | $ | 515,000 | $ | 492,294 | 2.75% | $ | 5,471 | 12/8/2050 |
| Wtr Rev & Tax Bonds, Loan 91-14 Series 2013, dated 12/12/2013 | $ | 3,950,000 | $ | 3,813,365 | 3.0000% | $ | 44,319 | 12/12/2051 |
| Wtr Rev & Tax Bonds, Loan 91-11 Series 2009, dated 04/16/2009 | $ | 1,940,000 | $ | 1,772,822 | 4.1250% | $ | 33,756 | 11/16/2046 |
| Wtr Rev & Tax Bonds, Loan 91-18 Series 2013, dated 06/26/2013 | $ | 409,000 | $ | 391,202 | 2.5000% | $ | 5,564 | 3/26/2051 |
| Wtr Rev & Tax Bonds, Loan 91-09 Series 2006, dated 03/17/06 | $ | 667,000 | $ | 462,042 | 4.5000% | $ | 12,248 | 5/17/2034 |
| Wtr Rev & Tax Bonds, Loan 91-07 Series 2004, dated 06/22/04 | $ | 849,000 | $ | 715,189 | 4.3750% | $ | 15,316 | 4/22/2042 |
| **Total Water Rev & Tax Bonds** | **$** | **8,330,000** | **$** | **7,646,914** | | **$** | **116,674** | |
| **General Obligation Bonds** | | | | | | | | |
| ** ***School Bonds, Series 2006, dated 1/1/06*** | ***$*** | ***7,050,000*** | ***$*** | ***5,365,000*** | ***3.70%*** | ***$*** | ***344,253*** | ***5/1/2031*** |
| School Refunding Bonds, Series 2008, dated 9/11/08 | $ | 5,115,000 | $ | 2,450,000 | 3.80% | $ | 46,550 | 11/1/2020 |
| General Improvement Bonds, Series 2007, dated 3/1/07 | $ | 5,000,000 | $ | 3,725,000 | 3.625%-4.0% | $ | 241,391 | 6/1/2031 |
| G.O. RFG & Improvement, Series 2011, dated 6/23/2011 | $ | 4,600,000 | $ | 2,450,000 | 2.0%-3.125% | $ | 481,166 | 5/1/2024 |
| G.O. Public Improvement RFG, Series 2011, dated 3/15/11 | $ | 6,160,000 | $ | 4,780,000 | 2.15%-4.0% | $ | - | 9/1/2027 |
| G.O. Public Improvement, Series 2013, dated 5/31/13 | $ | 3,250,000 | $ | 2,860,000 | 2.0%-2.5% | $ | 230,125 | 5/1/2028 |
| General Obligation School Bonds, Series 2013, dated 12/11/13 | $ | 5,945,000 | $ | 5,705,000 | 2.0%-4.5% | $ | 106,688 | 10/1/2043 |
| School Refunding & Imp Bonds, Series 2014, dated 10/02/14 | $ | 9,655,000 | $ | 8,860,000 | 3.0%-3.5% | $ | 134,272 | 12/1/2044 |
| General Obligation School Bonds, Series 2015, dated 01/06/15 | $ | 8,000,000 | $ | 7,835,000 | 3.0%-3.25% | $ | 124,363 | 10/1/2044 |
| **Total General Obligation Bonds** | | $54,775,000 | $ | 44,030,000 | | | $1,708,808 | |
| **Total Outstanding Debt** | | **$67,087,250** | | **$53,989,325** | | | **$2,227,227** | |
| **Total Debt (Less Water Debt)** | | **$58,757,250** | | **$46,342,411** | | | **$2,110,553** | |

** Payable from Revenues of the Marshall County Board of Public Utilities (a Proprietary Fund).*
*** To be redeemed with proceeds from the School Refunding Bonds, Series 2016*

**OUTSTANDING DEBT SERVICE REQUIREMENTS (as of 03/08/2016)**

| FY | G.O HWY Notes, Series 2013 Principal | Interest |
|---|---|---|
| 2016 | $ 335,000 | $ 1,759 |
| 2017 | $ - | $ - |
| | $ 335,000 | $ 1,759 |

| FY | 2011 Energy Loan Principal | 2011 Energy Loan Interest | G.O. RFG & Imp, Series 2011 Principal | G.O. RFG & Imp, Series 2011 Interest | ** School Bonds, Series 2006 Principal* | ** School Bonds, Series 2006 Interest* |
|---|---|---|---|---|---|---|
| 2016 | $ 61,317 | $ 3,669 | $ 450,000 | $ 31,166 | *$ 245,000* | *$ 99,253* |
| 2017 | $ 246,419 | $ 13,525 | $ 455,000 | $ 53,331 | *$ 255,000* | *$ 189,440* |
| 2018 | $ 248,274 | $ 11,670 | $ 470,000 | $ 44,231 | *$ 265,000* | *$ 180,005* |
| 2019 | $ 250,142 | $ 9,802 | $ 195,000 | $ 32,481 | *$ 275,000* | *$ 170,200* |
| 2020 | $ 252,025 | $ 7,919 | $ 175,000 | $ 26,631 | *$ 285,000* | *$ 160,025* |
| 2021 | $ 253,921 | $ 6,023 | $ 160,000 | $ 21,381 | *$ 295,000* | *$ 149,480* |
| 2022 | $ 255,832 | $ 4,112 | $ 180,000 | $ 16,581 | *$ 310,000* | *$ 138,565* |
| 2023 | $ 257,758 | $ 2,186 | $ 180,000 | $ 11,181 | *$ 320,000* | *$ 127,095* |
| 2024 | $ 151,723 | $ 380 | $ 185,000 | $ 5,781 | *$ 335,000* | *$ 115,255* |
| 2025 | $ - | $ - | $ - | $ - | *$ 350,000* | *$ 102,860* |
| 2026 | $ - | $ - | $ - | $ - | *$ 360,000* | *$ 89,910* |
| 2027 | $ - | $ - | $ - | $ - | *$ 380,000* | *$ 76,590* |
| 2028 | $ - | $ - | $ - | $ - | *$ 395,000* | *$ 62,530* |
| 2029 | $ - | $ - | $ - | $ - | *$ 415,000* | *$ 47,915* |
| 2030 | $ - | $ - | $ - | $ - | *$ 430,000* | *$ 32,560* |
| 2031 | $ - | $ - | $ - | $ - | *$ 450,000* | *$ 16,650* |
| | $ 1,977,411 | $ 59,286 | $ 2,450,000 | $ 242,766 | *$ 5,365,000* | *$ 1,758,333* |

| FY | School RFG, Series 2008 Principal | School RFG, Series 2008 Interest | Gen. Improv. Series 2007 Principal | Gen. Improv. Series 2007 Interest | Public Imp RFG, Series 2011 Principal | Public Imp RFG, Series 2011 Interest |
|---|---|---|---|---|---|---|
| 2016 | $ - | $ 46,550 | $ 170,000 | $ 71,391 | $ - | $ - |
| 2017 | $ 455,000 | $ 84,455 | $ 175,000 | $ 136,620 | $ 350,000 | $ 154,838 |
| 2018 | $ 470,000 | $ 66,880 | $ 185,000 | $ 130,145 | $ 355,000 | $ 146,859 |
| 2019 | $ 490,000 | $ 48,640 | $ 190,000 | $ 123,300 | $ 370,000 | $ 137,556 |
| 2020 | $ 510,000 | $ 29,640 | $ 200,000 | $ 116,270 | $ 380,000 | $ 126,769 |
| 2021 | $ 525,000 | $ 9,975 | $ 205,000 | $ 108,870 | $ 395,000 | $ 115,144 |
| 2022 | $ - | $ - | $ 215,000 | $ 101,183 | $ 410,000 | $ 102,556 |
| 2023 | $ - | $ - | $ 225,000 | $ 93,013 | $ 425,000 | $ 88,722 |
| 2024 | $ - | $ - | $ 235,000 | $ 84,463 | $ 440,000 | $ 73,300 |
| 2025 | $ - | $ - | $ 240,000 | $ 75,356 | $ 460,000 | $ 56,425 |
| 2026 | $ - | $ - | $ 250,000 | $ 66,056 | $ 480,000 | $ 38,200 |
| 2027 | $ - | $ - | $ 265,000 | $ 56,369 | $ 500,000 | $ 18,600 |
| 2028 | $ - | $ - | $ 275,000 | $ 46,100 | $ 215,000 | $ 4,300 |
| 2029 | $ - | $ - | $ 285,000 | $ 35,444 | $ - | $ - |
| 2030 | $ - | $ - | $ 300,000 | $ 24,400 | $ - | $ - |
| 2031 | $ - | $ - | $ 310,000 | $ 12,400 | $ - | $ - |
| | $ 2,450,000 | $ 286,140 | $ 3,725,000 | $ 1,281,379 | 4,780,000 | 1,063,269 |

* This issue will be redeemed with proceeds from the School Refunding Bonds, Series 2016.

| FY | Wtr Rev & Tax, Loan 91-16 Principal | Wtr Rev & Tax, Loan 91-16 Interest | Wtr Rev & Tax, Loan 91-07 Principal | Wtr Rev & Tax, Loan 91-07 Interest | Wtr Rev & Tax, Loan 91-09 Principal | Wtr Rev & Tax, Loan 91-09 Interest |
|---|---|---|---|---|---|---|
| 2016 | $ 2,092 | $ 3,379 | $ 4,913 | $ 10,403 | $ 5,347 | $ 6,901 |
| 2017 | $ 8,514 | $ 13,374 | $ 15,175 | $ 30,773 | $ 16,531 | $ 20,213 |
| 2018 | $ 8,751 | $ 13,137 | $ 15,853 | $ 30,095 | $ 17,290 | $ 19,454 |
| 2019 | $ 8,995 | $ 12,893 | $ 16,560 | $ 29,388 | $ 18,085 | $ 18,659 |
| 2020 | $ 9,246 | $ 12,642 | $ 17,300 | $ 28,648 | $ 18,915 | $ 17,829 |
| 2021 | $ 9,503 | $ 12,385 | $ 18,072 | $ 27,876 | $ 19,784 | $ 16,960 |
| 2022 | $ 9,768 | $ 12,120 | $ 18,878 | $ 27,069 | $ 20,693 | $ 16,051 |
| 2023 | $ 10,040 | $ 11,848 | $ 19,721 | $ 26,227 | $ 21,644 | $ 15,100 |
| 2024 | $ 10,319 | $ 11,569 | $ 20,602 | $ 25,346 | $ 22,638 | $ 14,106 |
| 2025 | $ 10,607 | $ 11,281 | $ 21,521 | $ 24,427 | $ 23,678 | $ 13,066 |
| 2026 | $ 10,902 | $ 10,986 | $ 22,482 | $ 23,466 | $ 24,766 | $ 11,978 |
| 2027 | $ 11,206 | $ 10,682 | $ 23,485 | $ 22,463 | $ 25,904 | $ 10,840 |
| 2028 | $ 11,518 | $ 10,370 | $ 24,533 | $ 21,415 | $ 27,094 | $ 9,650 |
| 2029 | $ 11,839 | $ 10,049 | $ 25,629 | $ 20,319 | $ 28,339 | $ 8,405 |
| 2030 | $ 12,168 | $ 9,720 | $ 26,773 | $ 19,175 | $ 29,640 | $ 7,104 |
| 2031 | $ 12,507 | $ 9,381 | $ 27,968 | $ 17,980 | $ 31,002 | $ 5,742 |
| 2032 | $ 12,855 | $ 9,033 | $ 29,216 | $ 16,732 | $ 32,426 | $ 4,318 |
| 2033 | $ 13,213 | $ 8,675 | $ 30,520 | $ 15,427 | $ 33,916 | $ 2,828 |
| 2034 | $ 13,581 | $ 8,307 | $ 31,883 | $ 14,065 | $ 35,474 | $ 1,270 |
| 2035 | $ 13,960 | $ 7,928 | $ 33,306 | $ 12,642 | $ 8,873 | $ 66 |
| 2036 | $ 14,348 | $ 7,540 | $ 34,793 | $ 11,155 | $ - | $ - |
| 2037 | $ 14,748 | $ 7,140 | $ 36,346 | $ 9,602 | $ - | $ - |
| 2038 | $ 15,159 | $ 6,729 | $ 37,968 | $ 7,980 | $ - | $ - |
| 2039 | $ 15,581 | $ 6,307 | $ 39,663 | $ 6,285 | $ - | $ - |
| 2040 | $ 16,015 | $ 5,873 | $ 41,434 | $ 4,514 | $ - | $ - |
| 2041 | $ 16,461 | $ 5,427 | $ 43,283 | $ 2,665 | $ - | $ - |
| 2042 | $ 16,919 | $ 4,969 | $ 37,311 | $ 749 | $ - | $ - |
| 2043 | $ 17,390 | $ 4,498 | $ - | $ - | $ - | $ - |
| 2044 | $ 17,875 | $ 4,013 | $ - | $ - | $ - | $ - |
| 2045 | $ 18,373 | $ 3,515 | $ - | $ - | $ - | $ - |
| 2046 | $ 18,884 | $ 3,004 | $ - | $ - | $ - | $ - |
| 2047 | $ 19,410 | $ 2,478 | $ - | $ - | $ - | $ - |
| 2048 | $ 19,951 | $ 1,937 | $ - | $ - | $ - | $ - |
| 2049 | $ 20,506 | $ 1,382 | $ - | $ - | $ - | $ - |
| 2050 | $ 21,077 | $ 811 | $ - | $ - | $ - | $ - |
| 2051 | $ 18,012 | $ 228 | $ - | $ - | $ - | $ - |
| 2052 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2053 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2054 | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 492,294 | $ 275,610 | $ 715,188 | $ 486,886 | $ 462,042 | $ 220,537 |

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| FY | Wtr Rev/Tax, Loan 91-18 Principal | Wtr Rev/Tax, Loan 91-18 Interest | Wtr Rev/Tax, Loan 91-11 Principal | Wtr Rev/Tax, Loan 91-11 Interest | Wtr Rev/Tax, Loan 91-14 Principal | Wtr Rev/Tax, Loan 91-14 Interest |
|---|---|---|---|---|---|---|
| **2016** | $ 2,311 | $ 3,253 | $ 9,428 | $ 24,328 | $ 15,758 | $ 28,561 |
| **2017** | $ 7,050 | $ 9,642 | $ 29,074 | $ 72,194 | $ 64,226 | $ 113,050 |
| **2018** | $ 7,228 | $ 9,464 | $ 30,296 | $ 70,972 | $ 66,180 | $ 111,096 |
| **2019** | $ 7,411 | $ 9,281 | $ 31,569 | $ 69,699 | $ 68,193 | $ 109,083 |
| **2020** | $ 7,599 | $ 9,093 | $ 32,897 | $ 68,371 | $ 70,267 | $ 107,009 |
| **2021** | $ 7,791 | $ 8,901 | $ 34,279 | $ 66,989 | $ 72,404 | $ 104,872 |
| **2022** | $ 7,988 | $ 8,704 | $ 35,721 | $ 65,547 | $ 74,606 | $ 102,670 |
| **2023** | $ 8,190 | $ 8,502 | $ 37,222 | $ 64,046 | $ 76,875 | $ 100,401 |
| **2024** | $ 8,397 | $ 8,295 | $ 38,787 | $ 62,481 | $ 79,214 | $ 98,062 |
| **2025** | $ 8,609 | $ 8,083 | $ 40,418 | $ 60,850 | $ 81,623 | $ 95,653 |
| **2026** | $ 8,827 | $ 7,865 | $ 42,117 | $ 59,151 | $ 84,106 | $ 93,170 |
| **2027** | $ 9,050 | $ 7,642 | $ 43,887 | $ 57,381 | $ 86,664 | $ 90,612 |
| **2028** | $ 9,279 | $ 7,413 | $ 45,732 | $ 55,536 | $ 89,300 | $ 87,976 |
| **2029** | $ 9,514 | $ 7,178 | $ 47,655 | $ 53,613 | $ 92,016 | $ 85,260 |
| **2030** | $ 9,754 | $ 6,938 | $ 49,658 | $ 51,610 | $ 94,815 | $ 82,461 |
| **2031** | $ 10,001 | $ 6,691 | $ 51,746 | $ 49,522 | $ 97,698 | $ 79,578 |
| **2032** | $ 10,254 | $ 6,438 | $ 53,921 | $ 47,347 | $ 100,670 | $ 76,606 |
| **2033** | $ 10,513 | $ 6,179 | $ 56,188 | $ 45,080 | $ 103,732 | $ 73,544 |
| **2034** | $ 10,779 | $ 5,913 | $ 58,550 | $ 42,718 | $ 106,887 | $ 70,389 |
| **2035** | $ 11,052 | $ 5,640 | $ 61,011 | $ 40,257 | $ 110,138 | $ 67,138 |
| **2036** | $ 11,331 | $ 5,361 | $ 63,576 | $ 37,692 | $ 113,488 | $ 63,788 |
| **2037** | $ 11,618 | $ 5,074 | $ 66,249 | $ 35,019 | $ 116,940 | $ 60,336 |
| **2038** | $ 11,911 | $ 4,781 | $ 69,034 | $ 32,234 | $ 120,497 | $ 56,779 |
| **2039** | $ 12,213 | $ 4,479 | $ 71,936 | $ 29,332 | $ 124,162 | $ 53,114 |
| **2040** | $ 12,522 | $ 4,170 | $ 74,960 | $ 26,308 | $ 127,938 | $ 49,338 |
| **2041** | $ 12,838 | $ 3,854 | $ 78,111 | $ 23,157 | $ 131,830 | $ 45,446 |
| **2042** | $ 13,163 | $ 3,529 | $ 81,395 | $ 19,873 | $ 135,840 | $ 41,437 |
| **2043** | $ 13,496 | $ 3,196 | $ 84,817 | $ 16,451 | $ 139,971 | $ 37,305 |
| **2044** | $ 13,837 | $ 2,855 | $ 88,382 | $ 12,886 | $ 144,229 | $ 33,047 |
| **2045** | $ 14,187 | $ 2,505 | $ 92,098 | $ 9,170 | $ 148,615 | $ 28,661 |
| **2046** | $ 14,546 | $ 2,146 | $ 95,969 | $ 5,299 | $ 153,136 | $ 24,140 |
| **2047** | $ 14,914 | $ 1,779 | $ 76,143 | $ 1,341 | $ 157,793 | $ 19,483 |
| **2048** | $ 15,291 | $ 1,401 | $ - | $ - | $ 162,593 | $ 14,683 |
| **2049** | $ 15,677 | $ 1,015 | $ - | $ - | $ 167,538 | $ 9,738 |
| **2050** | $ 16,074 | $ 618 | $ - | $ - | $ 172,634 | $ 4,642 |
| **2051** | $ 15,989 | $ 212 | $ - | $ - | $ 60,790 | $ 393 |
| | $ 391,202 | $ 198,091 | 1,772,822 | 1,376,458 | $ 3,813,365 | $ 2,319,522 |

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| FY | Public Imp, Series 2013 Principal | Public Imp, Series 2013 Interest | School Bonds, Series 2013 Principal | School Bonds, Series 2013 Interest | Sch Rfg & Imp, Series 2014 Principal | Sch Rfg & Imp, Series 2014 Interest |
|---|---|---|---|---|---|---|
| 2016 | $ 200,000 | $ 30,125 | $ - | $ 106,688 | $ - | $ 134,272 |
| 2017 | $ 200,000 | $ 56,250 | $ 130,000 | $ 212,076 | $ 815,000 | $ 256,319 |
| 2018 | $ 205,000 | $ 52,250 | $ 130,000 | $ 209,476 | $ 825,000 | $ 231,719 |
| 2019 | $ 205,000 | $ 48,150 | $ 135,000 | $ 206,826 | $ 845,000 | $ 210,894 |
| 2020 | $ 210,000 | $ 44,050 | $ 135,000 | $ 204,126 | $ 855,000 | $ 189,619 |
| 2021 | $ 215,000 | $ 39,850 | $ 140,000 | $ 201,026 | $ 860,000 | $ 163,894 |
| 2022 | $ 220,000 | $ 35,550 | $ 145,000 | $ 197,101 | $ 125,000 | $ 149,119 |
| 2023 | $ 225,000 | $ 31,150 | $ 145,000 | $ 192,751 | $ 130,000 | $ 145,294 |
| 2024 | $ 225,000 | $ 27,213 | $ 150,000 | $ 188,326 | $ 135,000 | $ 141,319 |
| 2025 | $ 230,000 | $ 22,713 | $ 155,000 | $ 183,751 | $ 135,000 | $ 137,269 |
| 2026 | $ 235,000 | $ 17,538 | $ 160,000 | $ 178,626 | $ 140,000 | $ 133,144 |
| 2027 | $ 240,000 | $ 12,250 | $ 165,000 | $ 172,939 | $ 145,000 | $ 128,869 |
| 2028 | $ 250,000 | $ 6,250 | $ 170,000 | $ 167,076 | $ 150,000 | $ 124,444 |
| 2029 | $ - | $ - | $ 180,000 | $ 160,951 | $ 155,000 | $ 119,869 |
| 2030 | $ - | $ - | $ 185,000 | $ 154,333 | $ 165,000 | $ 115,069 |
| 2031 | $ - | $ - | $ 195,000 | $ 147,208 | $ 170,000 | $ 110,044 |
| 2032 | $ - | $ - | $ 200,000 | $ 139,801 | $ 175,000 | $ 104,869 |
| 2033 | $ - | $ - | $ 210,000 | $ 132,114 | $ 185,000 | $ 99,469 |
| 2034 | $ - | $ - | $ 210,000 | $ 124,081 | $ 190,000 | $ 93,725 |
| 2035 | $ - | $ - | $ 220,000 | $ 115,696 | $ 195,000 | $ 87,709 |
| 2036 | $ - | $ - | $ 240,000 | $ 106,306 | $ 205,000 | $ 81,331 |
| 2037 | $ - | $ - | $ 250,000 | $ 95,894 | $ 215,000 | $ 74,506 |
| 2038 | $ - | $ - | $ 250,000 | $ 85,425 | $ 220,000 | $ 67,300 |
| 2039 | $ - | $ - | $ 255,000 | $ 75,009 | $ 230,000 | $ 59,706 |
| 2040 | $ - | $ - | $ 280,000 | $ 63,450 | $ 240,000 | $ 51,625 |
| 2041 | $ - | $ - | $ 295,000 | $ 50,513 | $ 250,000 | $ 43,050 |
| 2042 | $ - | $ - | $ 310,000 | $ 36,900 | $ 265,000 | $ 34,038 |
| 2043 | $ - | $ - | $ 325,000 | $ 22,613 | $ 270,000 | $ 24,675 |
| 2044 | $ - | $ - | $ 340,000 | $ 7,650 | $ 280,000 | $ 15,050 |
| 2045 | $ - | $ - | $ - | $ - | $ 290,000 | $ 5,075 |
| 2046 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2047 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2048 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2049 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2050 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2051 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2052 | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 2,860,000 | $ 423,338 | $ 5,705,000 | $ 3,938,734 | $ 8,860,000 | $ 3,333,281 |

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| FY | School Bonds, Series 2015 Principal | School Bonds, Series 2015 Interest | Total Principal | Total Interest | Current Total P& I |
|---|---|---|---|---|---|
| 2016 | $ - | $ 124,363 | $ 1,501,167 | $ 726,060 | $ 2,227,227 |
| 2017 | $ 170,000 | $ 246,175 | $ 3,391,990 | $ 1,662,274 | $ 5,054,264 |
| 2018 | $ 175,000 | $ 241,000 | $ 3,473,872 | $ 1,568,454 | $ 5,042,326 |
| 2019 | $ 180,000 | $ 235,675 | $ 3,285,955 | $ 1,472,527 | $ 4,758,482 |
| 2020 | $ 185,000 | $ 230,200 | $ 3,343,247 | $ 1,378,843 | $ 4,722,090 |
| 2021 | $ 190,000 | $ 224,575 | $ 3,400,755 | $ 1,278,200 | $ 4,678,955 |
| 2022 | $ 200,000 | $ 218,725 | $ 2,228,486 | $ 1,195,654 | $ 3,424,140 |
| 2023 | $ 205,000 | $ 212,650 | $ 2,286,450 | $ 1,130,166 | $ 3,416,616 |
| 2024 | $ 210,000 | $ 206,425 | $ 2,246,680 | $ 1,062,320 | $ 3,309,000 |
| 2025 | $ 215,000 | $ 200,050 | $ 1,971,456 | $ 991,784 | $ 2,963,240 |
| 2026 | $ 225,000 | $ 193,450 | $ 2,043,199 | $ 923,541 | $ 2,966,740 |
| 2027 | $ 230,000 | $ 186,625 | $ 2,125,196 | $ 851,861 | $ 2,977,057 |
| 2028 | $ 235,000 | $ 179,650 | $ 1,897,456 | $ 782,710 | $ 2,680,166 |
| 2029 | $ 245,000 | $ 172,450 | $ 1,494,990 | $ 721,454 | $ 2,216,445 |
| 2030 | $ 250,000 | $ 165,025 | $ 1,552,808 | $ 668,394 | $ 2,221,202 |
| 2031 | $ 260,000 | $ 157,375 | $ 1,615,922 | $ 612,570 | $ 2,228,492 |
| 2032 | $ 265,000 | $ 149,500 | $ 879,343 | $ 554,643 | $ 1,433,986 |
| 2033 | $ 275,000 | $ 141,400 | $ 918,083 | $ 524,716 | $ 1,442,798 |
| 2034 | $ 285,000 | $ 133,000 | $ 942,154 | $ 493,468 | $ 1,435,622 |
| 2035 | $ 295,000 | $ 124,005 | $ 948,340 | $ 461,082 | $ 1,409,422 |
| 2036 | $ 305,000 | $ 114,405 | $ 987,536 | $ 427,578 | $ 1,415,115 |
| 2037 | $ 310,000 | $ 104,488 | $ 1,020,900 | $ 392,059 | $ 1,412,959 |
| 2038 | $ 325,000 | $ 93,925 | $ 1,049,569 | $ 355,153 | $ 1,404,722 |
| 2039 | $ 335,000 | $ 82,705 | $ 1,083,554 | $ 316,938 | $ 1,400,493 |
| 2040 | $ 345,000 | $ 71,145 | $ 1,137,868 | $ 276,424 | $ 1,414,292 |
| 2041 | $ 360,000 | $ 59,160 | $ 1,187,523 | $ 233,272 | $ 1,420,795 |
| 2042 | $ 370,000 | $ 46,750 | $ 1,229,628 | $ 188,244 | $ 1,417,871 |
| 2043 | $ 385,000 | $ 33,915 | $ 1,235,674 | $ 142,653 | $ 1,378,327 |
| 2044 | $ 395,000 | $ 20,655 | $ 1,279,322 | $ 96,157 | $ 1,375,479 |
| 2045 | $ 410,000 | $ 6,970 | $ 973,272 | $ 55,897 | $ 1,029,169 |
| 2046 | $ - | $ - | $ 282,535 | $ 34,589 | $ 317,124 |
| 2047 | $ - | $ - | $ 268,260 | $ 25,080 | $ 293,340 |
| 2048 | $ - | $ - | $ 197,834 | $ 18,022 | $ 215,856 |
| 2049 | $ - | $ - | $ 203,722 | $ 12,134 | $ 215,856 |
| 2050 | $ - | $ - | $ 209,785 | $ 6,071 | $ 215,856 |
| 2051 | $ - | $ - | $ 94,792 | $ 833 | $ 95,625 |
| 2052 | $ - | $ - | $ - | $ - | $ - |
| | $ 7,835,000 | $ 4,376,435 | $ 53,989,325 | $ 21,641,820 | $ 75,631,149 |

| FY | Less: Series 2006 P&I | ADD: School Rfg Bonds, Series 2016 Principal | Interest | Total Principal | Total Interest | New Total P& I |
|---|---|---|---|---|---|---|
| 2016 | $ (343,198) | $ - | $ - | $ 1,501,167 | $ 725,007 | $ 2,226,173 |
| 2017 | $ (444,440) | $ 280,000 | $ 117,666 | $ 3,416,990 | $ 1,590,500 | $ 5,007,489 |
| 2018 | $ (445,005) | $ 300,000 | $ 100,831 | $ 3,508,872 | $ 1,489,280 | $ 4,998,152 |
| 2019 | $ (445,200) | $ 305,000 | $ 94,831 | $ 3,315,955 | $ 1,397,158 | $ 4,713,114 |
| 2020 | $ (445,025) | $ 310,000 | $ 88,731 | $ 3,368,247 | $ 1,307,549 | $ 4,675,796 |
| 2021 | $ (444,480) | $ 315,000 | $ 82,531 | $ 3,420,755 | $ 1,211,251 | $ 4,632,006 |
| 2022 | $ (448,565) | $ 325,000 | $ 76,231 | $ 2,243,486 | $ 1,133,320 | $ 3,376,806 |
| 2023 | $ (447,095) | $ 330,000 | $ 69,731 | $ 2,296,450 | $ 1,072,802 | $ 3,369,252 |
| 2024 | $ (450,255) | $ 335,000 | $ 63,131 | $ 2,246,680 | $ 1,010,196 | $ 3,256,876 |
| 2025 | $ (452,860) | $ 345,000 | $ 56,431 | $ 1,966,456 | $ 945,355 | $ 2,911,811 |
| 2026 | $ (449,910) | $ 350,000 | $ 49,531 | $ 2,033,199 | $ 883,162 | $ 2,916,361 |
| 2027 | $ (456,590) | $ 360,000 | $ 42,531 | $ 2,105,196 | $ 817,802 | $ 2,922,998 |
| 2028 | $ (457,530) | $ 365,000 | $ 35,331 | $ 1,867,456 | $ 755,511 | $ 2,622,967 |
| 2029 | $ (462,915) | $ 370,000 | $ 27,575 | $ 1,449,990 | $ 701,114 | $ 2,151,105 |
| 2030 | $ (462,560) | $ 380,000 | $ 19,250 | $ 1,502,808 | $ 655,084 | $ 2,157,892 |
| 2031 | $ (466,650) | $ 390,000 | $ 9,750 | $ 1,555,922 | $ 605,670 | $ 2,161,592 |
| 2032 | $ - | $ - | $ - | $ 879,343 | $ 554,643 | $ 1,433,986 |
| 2033 | $ - | $ - | $ - | $ 918,083 | $ 524,716 | $ 1,442,798 |
| 2034 | $ - | $ - | $ - | $ 942,154 | $ 493,468 | $ 1,435,622 |
| 2035 | $ - | $ - | $ - | $ 948,340 | $ 461,082 | $ 1,409,422 |
| 2036 | $ - | $ - | $ - | $ 987,536 | $ 427,578 | $ 1,415,115 |
| 2037 | $ - | $ - | $ - | $ 1,020,900 | $ 392,059 | $ 1,412,959 |
| 2038 | $ - | $ - | $ - | $ 1,049,569 | $ 355,153 | $ 1,404,722 |
| 2039 | $ - | $ - | $ - | $ 1,083,554 | $ 316,938 | $ 1,400,493 |
| 2040 | $ - | $ - | $ - | $ 1,137,868 | $ 276,424 | $ 1,414,292 |
| 2041 | $ - | $ - | $ - | $ 1,187,523 | $ 233,272 | $ 1,420,795 |
| 2042 | $ - | $ - | $ - | $ 1,229,628 | $ 188,244 | $ 1,417,871 |
| 2043 | $ - | $ - | $ - | $ 1,235,674 | $ 142,653 | $ 1,378,327 |
| 2044 | $ - | $ - | $ - | $ 1,279,322 | $ 96,157 | $ 1,375,479 |
| 2045 | $ - | $ - | $ - | $ 973,272 | $ 55,897 | $ 1,029,169 |
| 2046 | $ - | $ - | $ - | $ 282,535 | $ 34,589 | $ 317,124 |
| 2047 | $ - | $ - | $ - | $ 268,260 | $ 25,080 | $ 293,340 |
| 2048 | $ - | $ - | $ - | $ 197,834 | $ 18,022 | $ 215,856 |
| 2049 | $ - | $ - | $ - | $ 203,722 | $ 12,134 | $ 215,856 |
| 2050 | $ - | $ - | $ - | $ 209,785 | $ 6,071 | $ 215,856 |
| 2051 | $ - | $ - | $ - | $ 94,792 | $ 833 | $ 95,625 |
| 2052 | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ (7,122,278) | $ 5,060,000 | $ 934,084 | $ 53,929,325 | $ 20,915,772 | $ 74,845,099 |

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# APPENDIX D

Excerpted pages from the Audited Financial Statements of Marshall County, Tennessee for the Fiscal Year ended June 30, 2015.

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# ANNUAL FINANCIAL REPORT

# MARSHALL COUNTY, TENNESSEE

## FOR THE YEAR ENDED JUNE 30, 2015

TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

# ANNUAL FINANCIAL REPORT

# MARSHALL 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***

***JEFF BAILEY, CPA, CGFM, CFE***
***Audit Manager***

***RHONDA DAVIS, CFE***
***Auditor 4***

***ROBIN BATES, CPA, CGFM, CFE***
***KINSLEY HAYES***
***JACOB KENNEDY, CISA***
***State Auditors***


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

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# *Summary of Audit Findings*

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

## *Scope*

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

## *Results*

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

Our audit resulted in three findings and recommendations, which we have reviewed with Marshall County's 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 BOARD OF PUBLIC UTILITIES

- Deficiencies were noted in the maintenance of capital asset records.

---

### OFFICES OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK AND CLERK AND MASTER

- Multiple employees operated from the same cash drawer.

---

### OFFICES OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER OF DEEDS; AND SHERIFF

- Duties were not segregated adequately.

# INTRODUCTORY SECTION

## Marshall County Officials
## June 30, 2015

### Officials

Joe Liggett, County Mayor
Jerry Williams, Highway Superintendent
Jackie Abernathy, Director of Schools
Marilyn Ervin, Trustee
Michelle Campbell, Assessor of Property
Daphne Fagan, County Clerk
Courtney Boatright, Circuit, General Sessions, and Juvenile Courts Clerk
Kimberlee Alsup, Clerk and Master
Dorris Wayne Weaver, Register of Deeds
Billy Lamb, Sheriff
Malinda White, Director of Accounts and Budgets
Jessie Whaley, Jr., Board of Public Utilities Manager

### Board of County Commissioners

Michael Waggoner, Chairman
Dean Delk
Joseph Warner
Anna Childress
E.W. Hill, Jr.
R.L. Williams
Mickey King
Jennifer Smith
Tony Beyer
John Christmas
Wesley Neece
Daniel Morgan
Seth Warf
Sheldon Davis
Phil Willis
Tina Lilly
Bob Hopkins III
Glen White

### Board of Education

Donnie Moses, Chairman
Susan Hunter
Kristen Gold
Sheryl McClintock
John Allen
Harvey Jones, Jr.
Ken Lilly
Julie Cathey

### Board of Public Utilities

Mickey King, Chairman
Tony Beyer
Ray Wakefield
Danny Morgan
Matthew Collins

### Audit Committee

Glen Hardison, Chairman
Lisa Clark
Mickey King
Bill Garvin
Bobby Truelove

# 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

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Marshall County, Tennessee, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in Note V.B., Marshall 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.10. to the financial statements, which describes a restatement increasing the beginning Governmental Activities net position by $105,813, decreasing the discretely presented Marshall County School Department net position by $6,302,911, and increasing the discretely presented Marshall County Board of Public Utilities net position by $10,714 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios; schedules of county, school, and board of public utilities contributions; schedule of school's proportionate share of the net pension liability; and schedule of funding progress – other postemployment benefits plans on pages 83-89 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 Marshall County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Other Capital Projects Funds, combining and individual fund financial statements of the Marshall County School Department (a discretely presented component unit), individual fund financial statements of the Marshall County Board of Public Utilities (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Other Capital Projects Funds, combining and individual fund financial statements of the Marshall County School Department (a discretely presented component unit), individual fund financial statements of the Marshall County Board of Public Utilities (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Other Capital Projects Funds, combining and individual fund financial statements of the Marshall County School Department (a discretely presented component unit), individual fund financial statements of the Marshall County Board of Public Utilities (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 September 30, 2015, on our consideration of Marshall 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 Marshall County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 30, 2015

JPW/sb

# Basic Financial Statements

Exhibit A

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

| | Primary Government | Component Units | |
|---|---|---|---|
| | Governmental Activities | Marshall County School Department | Marshall County Board of Public Utilities |
| **ASSETS** | | | |
| Cash | $ 450 | $ 2,135 | $ 1,803 |
| Equity in Pooled Cash and Investments | 17,410,334 | 12,802,229 | 2,336,686 |
| Inventories | 0 | 0 | 50,211 |
| Accounts Receivable | 3,957,840 | 1,012 | 212,599 |
| Allowance for Uncollectibles | (1,811,708) | 0 | 0 |
| Due from Other Governments | 1,150,590 | 841,320 | 375,309 |
| Due from Primary Government | 0 | 0 | 192,597 |
| Property Taxes Receivable | 8,927,651 | 9,618,824 | 0 |
| Allowance for Uncollectible Property Taxes | (166,528) | (179,421) | 0 |
| Restricted Assets: | | | |
| Customer Deposits | 0 | 0 | 129,464 |
| Net Pension Asset - Agent Plan | 896,767 | 1,346,551 | 90,797 |
| Net Pension Asset - Cost-sharing Plan | 0 | 80,066 | 0 |
| Capital Assets: | | | |
| Assets Not Depreciated: | | | |
| Land | 13,370,886 | 2,407,026 | 355,901 |
| Construction in Progress | 0 | 14,797,258 | 685,794 |
| Assets Net of Accumulated Depreciation: | | | |
| Buildings and Improvements | 13,674,941 | 31,729,504 | 807,671 |
| Infrastructure | 12,589,507 | 97,635 | 18,195,395 |
| Other Capital Assets | 2,712,211 | 2,861,900 | 581,025 |
| Total Assets | $ 72,712,941 | $ 76,406,039 | $ 24,015,252 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred Charge on Refunding | $ 367,659 | $ 0 | $ 0 |
| Pension Changes in Experience | 62,274 | 287,893 | 6,305 |
| Pension Changes in Contributions after Measurement Date | 436,735 | 2,052,494 | 34,386 |
| Total Deferred Outflows of Resources | $ 866,668 | $ 2,340,387 | $ 40,691 |
| **LIABILITIES** | | | |
| Accounts Payable | $ 78,531 | $ 95,322 | $ 33,825 |
| Accrued Payroll | 0 | 7,467 | 0 |
| Accrued Interest Payable | 401,421 | 0 | 9,001 |
| Payroll Deductions Payable | 173,543 | 760,058 | 16,709 |
| Contracts Payable | 0 | 912,516 | 337,475 |
| Retainage Payable | 0 | 150,196 | 21,687 |
| Due to State of Tennessee | 4,914 | 0 | 0 |
| Due to Component Units | 192,597 | 0 | 0 |
| Current Liabilities Payable from Restricted Assets: | | | |
| Customer Deposits Payable | 200 | 0 | 129,464 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 3,339,128 | 145,379 | 158,443 |
| Due in More Than One Year (net of unamortized premium on debt) | 45,632,616 | 5,972,080 | 7,505,040 |
| Total Liabilities | $ 49,822,950 | $ 8,043,018 | $ 8,211,644 |

(Continued)

Exhibit A

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

| | Primary Government | Component Units | |
|---|---|---|---|
| | Governmental Activities | Marshall County School Department | Marshall County Board of Public Utilities |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred Current Property Taxes | $ 8,492,456 | $ 9,149,937 | $ 0 |
| Pension Changes in Investment Earnings | 847,872 | 7,870,214 | 85,846 |
| Change in the Proportionate Share of Pension Contributions | 0 | 60,426 | 0 |
| Total Deferred Inflows of Resources | $ 9,340,328 | $ 17,080,577 | $ 85,846 |
| **NET POSITION** | | | |
| Net Investment in Capital Assets | $ 31,341,748 | $ 51,893,323 | $ 12,980,543 |
| Restricted for: | | | |
| General Government | 63,404 | 0 | 0 |
| Finance | 25,504 | 0 | 0 |
| Administration of Justice | 506,671 | 0 | 0 |
| Public Safety | 66,404 | 0 | 0 |
| Public Health and Welfare | 119,854 | 0 | 0 |
| Social, Cultural and Recreational | 1,000 | 0 | 0 |
| Highway/Public Works | 865,609 | 0 | 0 |
| Other Purposes | 547,904 | 0 | 45,642 |
| Central Cafeteria | 0 | 791,770 | 0 |
| Education | 0 | 19,401 | 0 |
| Capital Projects | 2,808,098 | 4,759,970 | 0 |
| Unrestricted | (21,929,865) | (3,841,633) | 2,732,268 |
| Total Net Position | $ 14,416,331 | $ 53,622,831 | $ 15,758,453 |

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

Exhibit B

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

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | Component Units | |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Marshall County School Department | Marshall County Board of Public Utilities |
| Primary Government: | | | | | | | |
| General Government | $ 1,181,191 | $ 379,283 | $ 19,582 | $ 0 | $ (782,326) | $ 0 | $ 0 |
| Finance | 1,195,430 | 939,126 | 0 | 0 | (256,304) | 0 | 0 |
| Administration of Justice | 1,935,637 | 588,083 | 10,300 | 0 | (1,337,254) | 0 | 0 |
| Public Safety | 3,755,710 | 1,260,783 | 84,620 | 0 | (2,410,307) | 0 | 0 |
| Public Health and Welfare | 3,719,305 | 1,890,142 | 514,312 | 172,750 | (1,142,101) | 0 | 0 |
| Social, Cultural, and Recreational Services | 436,394 | 14,677 | 39,830 | 0 | (381,887) | 0 | 0 |
| Agriculture and Natural Resources | 120,716 | 0 | 0 | 0 | (120,716) | 0 | 0 |
| Highways | 3,138,130 | 278,153 | 1,670,532 | 226,293 | (963,152) | 0 | 0 |
| Education | 14,467,369 | 0 | 259,955 | 0 | (14,207,414) | 0 | 0 |
| Interest on Long-term Debt | 1,234,499 | 0 | 0 | 0 | (1,234,499) | 0 | 0 |
| Total Governmental Activities | $ 31,184,381 | $ 5,350,247 | $ 2,599,131 | $ 399,043 | $ (22,835,960) | $ 0 | $ 0 |
| Total Primary Government | $ 31,184,381 | $ 5,350,247 | $ 2,599,131 | $ 399,043 | $ (22,835,960) | $ 0 | $ 0 |
| Component Units: | | | | | | | |
| Marshall County School Department | $ 43,458,506 | $ 1,107,362 | $ 5,639,043 | $ 14,021,433 | $ 0 | $ (22,690,668) | $ 0 |
| Marshall County Board of Public Utilities | 2,191,249 | 1,962,152 | 270,801 | 1,112,054 | 0 | 0 | 1,153,758 |
| Total Component Units | $ 45,649,755 | $ 3,069,514 | $ 5,909,844 | $ 15,133,487 | $ 0 | $ (22,690,668) | $ 1,153,758 |

(Continued)

Exhibit B

Marshall County, Tennessee
Statement of Activities (Cont.)

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | Component Units | |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Marshall County School Department | Marshall County Board of Public Utilities |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes Levied for General Purposes | | | | | $ 6,401,238 | $ 9,267,171 | $ 0 |
| Property Taxes Levied for Debt Service | | | | | 2,191,564 | 0 | 0 |
| Local Option Sales Tax | | | | | 2,508,610 | 2,392,568 | 0 |
| Wheel Tax | | | | | 1,343,319 | 0 | 0 |
| Mineral Severance Tax | | | | | 298,620 | 0 | 0 |
| Business Tax | | | | | 237,854 | 0 | 0 |
| Hotel/Motel Tax | | | | | 139,795 | 0 | 0 |
| Litigation Tax | | | | | 306,034 | 0 | 0 |
| Adequate Facilities/Development Tax | | | | | 192,597 | 0 | 0 |
| Wholesale Beer Tax | | | | | 97,219 | 0 | 0 |
| Other Local Taxes | | | | | 2,268 | 9,574 | 0 |
| Grants and Contributions Not Restricted for Specific Programs | | | | | 1,318,434 | 25,608,276 | 0 |
| Unrestricted Investment Income | | | | | 77,552 | 152 | 6,406 |
| Miscellaneous | | | | | 45,514 | 53,981 | 26,273 |
| Pension Income | | | | | 5,356 | 86,781 | 542 |
| Total General Revenues | | | | | $ 15,165,974 | $ 37,418,503 | $ 33,221 |
| Change in Net Position | | | | | $ (7,669,986) | $ 14,727,835 | $ 1,186,979 |
| Net Position, July 1, 2014 | | | | | 21,980,504 | 45,197,907 | 14,560,760 |
| Restatement - See Note I.D.10. | | | | | 105,813 | (6,302,911) | 10,714 |
| Net Position, June 30, 2015 | | | | | $ 14,416,331 | $ 53,622,831 | $ 15,758,453 |

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

Exhibit C-1

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

| | Major Funds | | | | |
|---|---|---|---|---|---|
| | General | Highway / Public Works | General Debt Service | General Capital Projects | Other Capital Projects |
| **ASSETS** | | | | | |
| Cash | $ 450 | $ 0 | $ 0 | $ 0 | $ 0 |
| Equity in Pooled Cash and Investments | 5,809,201 | 496,757 | 7,179,237 | 8,984 | 1,460,001 |
| Accounts Receivable | 3,763,497 | 19,789 | 108,287 | 0 | 15,787 |
| Allowance for Uncollectibles | (1,811,708) | 0 | 0 | 0 | 0 |
| Due from Other Governments | 293,559 | 411,416 | 405,576 | 0 | 0 |
| Property Taxes Receivable | 5,702,177 | 460,782 | 1,439,944 | 0 | 1,324,748 |
| Allowance for Uncollectible Property Taxes | (106,363) | (8,595) | (26,859) | 0 | (24,711) |
| Total Assets | $ 13,650,813 | $ 1,380,149 | $ 9,106,185 | $ 8,984 | $ 2,775,825 |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ 46,888 | $ 26,399 | $ 550 | $ 0 | $ 0 |
| Payroll Deductions Payable | 137,210 | 30,126 | 0 | 0 | 0 |
| Due to Component Units | 192,597 | 0 | 0 | 0 | 0 |
| Due to State of Tennessee | 0 | 0 | 0 | 0 | 0 |
| Current Liabilities Payable from Restricted Assets: | | | | | |
| Customer Deposits Payable | 200 | 0 | 0 | 0 | 0 |
| Total Liabilities | $ 376,895 | $ 56,525 | $ 550 | $ 0 | $ 0 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred Current Property Taxes | $ 5,424,214 | $ 438,320 | $ 1,369,751 | $ 0 | $ 1,260,171 |
| Deferred Delinquent Property Taxes | 152,099 | 12,267 | 38,533 | 0 | 35,366 |
| Other Deferred/Unavailable Revenue | 1,740,888 | 172,633 | 202,788 | 0 | 0 |
| Total Deferred Inflows of Resources | $ 7,317,201 | $ 623,220 | $ 1,611,072 | $ 0 | $ 1,295,537 |

(Continued)

Exhibit C-1

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

| | Major Funds | | | | |
|---|---|---|---|---|---|
| | General | Highway / Public Works | General Debt Service | General Capital Projects | Other Capital Projects |
| **FUND BALANCES** | | | | | |
| Restricted: | | | | | |
| Restricted for General Government | $ 63,404 | $ 0 | $ 0 | $ 0 | $ 0 |
| Restricted for Finance | 25,504 | 0 | 0 | 0 | 0 |
| Restricted for Administration of Justice | 506,671 | 0 | 0 | 0 | 0 |
| Restricted for Public Safety | 4,361 | 0 | 0 | 0 | 0 |
| Restricted for Public Health and Welfare | 119,854 | 0 | 0 | 0 | 0 |
| Restricted for Social, Cultural, and Recreational Services | 1,000 | 0 | 0 | 0 | 0 |
| Restricted for Highways/Public Works | 0 | 700,404 | 0 | 0 | 0 |
| Restricted for Capital Outlay | 0 | 0 | 0 | 8,984 | 1,293,458 |
| Restricted for Capital Projects | 31,712 | 0 | 0 | 0 | 0 |
| Committed: | | | | | |
| Committed for General Government | 33,405 | 0 | 0 | 0 | 0 |
| Committed for Administration of Justice | 0 | 0 | 0 | 0 | 10,500 |
| Committed for Public Safety | 18,602 | 0 | 0 | 0 | 0 |
| Committed for Public Health and Welfare | 0 | 0 | 0 | 0 | 176,330 |
| Committed for Social, Cultural, and Recreational Services | 21,801 | 0 | 0 | 0 | 0 |
| Committed for Debt Service | 0 | 0 | 7,494,563 | 0 | 0 |
| Committed for Other Purposes | 149,699 | 0 | 0 | 0 | 0 |
| Unassigned | 4,980,704 | 0 | 0 | 0 | 0 |
| Total Fund Balances | $ 5,956,717 | $ 700,404 | $ 7,494,563 | $ 8,984 | $ 1,480,288 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 13,650,813 | $ 1,380,149 | $ 9,106,185 | $ 8,984 | $ 2,775,825 |

(Continued)

Exhibit C-1

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

| | Nonmajor Funds Other Govern- mental Funds | Total Governmental Funds |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 0 | $ 450 |
| Equity in Pooled Cash and Investments | 2,456,154 | 17,410,334 |
| Accounts Receivable | 50,480 | 3,957,840 |
| Allowance for Uncollectibles | 0 | (1,811,708) |
| Due from Other Governments | 40,039 | 1,150,590 |
| Property Taxes Receivable | 0 | 8,927,651 |
| Allowance for Uncollectible Property Taxes | 0 | (166,528) |
| Total Assets | $ 2,546,673 | $ 29,468,629 |
| **LIABILITIES** | | |
| Accounts Payable | $ 4,694 | $ 78,531 |
| Payroll Deductions Payable | 6,207 | 173,543 |
| Due to Component Units | 0 | 192,597 |
| Due to State of Tennessee | 4,914 | 4,914 |
| Current Liabilities Payable from Restricted Assets: | | |
| Customer Deposits Payable | 0 | 200 |
| Total Liabilities | $ 15,815 | $ 449,785 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Current Property Taxes | $ 0 | $ 8,492,456 |
| Deferred Delinquent Property Taxes | 0 | 238,265 |
| Other Deferred/Unavailable Revenue | 0 | 2,116,309 |
| Total Deferred Inflows of Resources | $ 0 | $ 10,847,030 |

(Continued)

Exhibit C-1

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

| | Nonmajor Funds: Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| **FUND BALANCES** | | |
| Restricted: | | |
| Restricted for General Government | $ 0 | $ 63,404 |
| Restricted for Finance | 0 | 25,504 |
| Restricted for Administration of Justice | 0 | 506,671 |
| Restricted for Public Safety | 62,043 | 66,404 |
| Restricted for Public Health and Welfare | 48,051 | 167,905 |
| Restricted for Social, Cultural, and Recreational Services | 0 | 1,000 |
| Restricted for Highways/Public Works | 431,888 | 1,132,292 |
| Restricted for Capital Outlay | 1,514,640 | 2,817,082 |
| Restricted for Capital Projects | 0 | 31,712 |
| Committed: | | |
| Committed for General Government | 0 | 33,405 |
| Committed for Administration of Justice | 12,867 | 23,367 |
| Committed for Public Safety | 0 | 18,602 |
| Committed for Public Health and Welfare | 461,369 | 637,699 |
| Committed for Social, Cultural, and Recreational Services | 0 | 21,801 |
| Committed for Debt Service | 0 | 7,494,563 |
| Committed for Other Purposes | 0 | 149,699 |
| Unassigned | 0 | 4,980,704 |
| Total Fund Balances | $ 2,530,858 | $ 18,171,814 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 2,546,673 | $ 29,468,629 |

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

Exhibit C-2

Marshall 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) | | | $ 18,171,814 |
| (1) | Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| | Add: land | $ 13,370,886 | |
| | Add: buildings and improvements net of accumulated depreciation | 13,674,941 | |
| | Add: infrastructure net of accumulated depreciation | 12,589,507 | |
| | Add: other capital assets net of accumulated depreciation | 2,712,211 | 42,347,545 |
| (2) | Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| | Less: notes payable | $ (2,139,921) | |
| | Less: bonds payable | (45,885,000) | |
| | Add: deferred amount on refunding | 367,659 | |
| | Less: compensated absences payable | (174,391) | |
| | Less: other deferred revenue - premium on debt | (772,432) | |
| | Less: accrued interest on notes and bonds | (401,421) | (49,005,506) |
| (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 | $ 499,009 | |
| | Less: deferred inflows of resources related to pensions | (847,872) | (348,863) |
| (4) | Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds. | | 896,767 |
| (5) | Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | 2,354,574 |
| Net position of governmental activities (Exhibit A) | | | $ 14,416,331 |

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

Exhibit C-3

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

| | Major Funds | | | | |
|---|---|---|---|---|---|
| | General | Highway / Public Works | General Debt Service | General Capital Projects | Other Capital Projects |
| **Revenues** | | | | | |
| Local Taxes | $ 6,376,255 | $ 944,374 | $ 5,624,446 | $ 0 | $ 726,770 |
| Licenses and Permits | 202,176 | 0 | 0 | 0 | 0 |
| Fines, Forfeitures, and Penalties | 108,313 | 0 | 0 | 0 | 0 |
| Charges for Current Services | 1,600,576 | 0 | 0 | 0 | 97,290 |
| Other Local Revenues | 125,950 | 36,632 | 0 | 0 | 0 |
| Fees Received from County Officials | 1,495,427 | 0 | 0 | 0 | 0 |
| State of Tennessee | 1,618,626 | 1,908,422 | 73,352 | 0 | 23,839 |
| Federal Government | 99,992 | 0 | 0 | 0 | 0 |
| Other Governments and Citizens Groups | 163,110 | 0 | 259,955 | 0 | 10,500 |
| Total Revenues | $ 11,790,425 | $ 2,889,428 | $ 5,957,753 | $ 0 | $ 858,399 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General Government | $ 1,290,889 | $ 0 | $ 0 | $ 0 | $ 0 |
| Finance | 1,252,129 | 0 | 0 | 0 | 0 |
| Administration of Justice | 977,677 | 0 | 0 | 0 | 0 |
| Public Safety | 3,793,412 | 0 | 0 | 0 | 0 |
| Public Health and Welfare | 2,628,624 | 0 | 0 | 0 | 0 |
| Social, Cultural, and Recreational Services | 351,176 | 0 | 0 | 0 | 0 |
| Agriculture and Natural Resources | 124,982 | 0 | 0 | 0 | 0 |
| Other Operations | 813,625 | 0 | 0 | 0 | 0 |
| Highways | 0 | 2,673,992 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 71,317 |
| Debt Service: | | | | | |
| Principal on Debt | 0 | 0 | 3,107,912 | 0 | 0 |
| Interest on Debt | 0 | 0 | 1,258,017 | 0 | 0 |

(Continued)

Exhibit C-3

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

| | Major Funds | | | | |
|---|---|---|---|---|---|
| | General | Highway / Public Works | General Debt Service | General Capital Projects | Other Capital Projects |
| Expenditures (Cont.) | | | | | |
| Debt Service (Cont.) | | | | | |
| Other Debt Service | $ 0 | $ 0 | $ 5,179,303 | $ 0 | $ 0 |
| Capital Projects | 0 | 0 | 0 | 14,836,168 | 379,726 |
| Total Expenditures | $ 11,232,514 | $ 2,673,992 | $ 9,545,232 | $ 14,836,168 | $ 451,043 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 557,911 | $ 215,436 | $ (3,587,479) | $ (14,836,168) | $ 407,356 |
| Other Financing Sources (Uses) | | | | | |
| Bonds Issued | $ 0 | $ 0 | $ 0 | $ 13,550,000 | $ 0 |
| Refunding Debt Issued | 0 | 0 | 4,105,000 | 0 | 0 |
| Premiums on Debt Issued | 0 | 0 | 269,157 | 291,983 | 0 |
| Insurance Recovery | 14,091 | 0 | 0 | 0 | 0 |
| Transfers In | 60,000 | 0 | 0 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 | (151,227) |
| Total Other Financing Sources (Uses) | $ 74,091 | $ 0 | $ 4,374,157 | $ 13,841,983 | $ (151,227) |
| Net Change in Fund Balances | $ 632,002 | $ 215,436 | $ 786,678 | $ (994,185) | $ 256,129 |
| Fund Balance, July 1, 2014 | 5,324,715 | 484,968 | 6,707,885 | 1,003,169 | 1,224,159 |
| Fund Balance, June 30, 2015 | $ 5,956,717 | $ 700,404 | $ 7,494,563 | $ 8,984 | $ 1,480,288 |

(Continued)

Exhibit C-3

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

| | Nonmajor Funds Other Govern-mental Funds | Total Governmental Funds |
|---|---|---|
| **Revenues** | | |
| Local Taxes | $ 645,666 | $ 14,317,511 |
| Licenses and Permits | 0 | 202,176 |
| Fines, Forfeitures, and Penalties | 66,080 | 174,393 |
| Charges for Current Services | 155,126 | 1,852,992 |
| Other Local Revenues | 1,140,987 | 1,303,569 |
| Fees Received from County Officials | 0 | 1,495,427 |
| State of Tennessee | 355,757 | 3,979,996 |
| Federal Government | 0 | 99,992 |
| Other Governments and Citizens Groups | 0 | 433,565 |
| Total Revenues | $ 2,363,616 | $ 23,859,621 |
| **Expenditures** | | |
| Current: | | |
| General Government | $ 0 | $ 1,290,889 |
| Finance | 0 | 1,252,129 |
| Administration of Justice | 1,335 | 979,012 |
| Public Safety | 6,150 | 3,799,562 |
| Public Health and Welfare | 1,280,204 | 3,908,828 |
| Social, Cultural, and Recreational Services | 0 | 351,176 |
| Agriculture and Natural Resources | 0 | 124,982 |
| Other Operations | 0 | 813,625 |
| Highways | 0 | 2,673,992 |
| Capital Outlay | 0 | 71,317 |
| Debt Service: | | |
| Principal on Debt | 0 | 3,107,912 |
| Interest on Debt | 0 | 1,258,017 |

(Continued)

Exhibit C-3

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

| | Nonmajor Funds Other Govern-mental Funds | Total Governmental Funds |
|---|---|---|
| **Expenditures (Cont.)** | | |
| Debt Service (Cont.) | | |
| Other Debt Service | $ 0 | $ 5,179,303 |
| Capital Projects | 847,493 | 16,063,387 |
| Total Expenditures | $ 2,135,182 | $ 40,874,131 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 228,434 | $ (17,014,510) |
| **Other Financing Sources (Uses)** | | |
| Bonds Issued | $ 0 | $ 13,550,000 |
| Refunding Debt Issued | 0 | 4,105,000 |
| Premiums on Debt Issued | 0 | 561,140 |
| Insurance Recovery | 1,600 | 15,691 |
| Transfers In | 151,227 | 211,227 |
| Transfers Out | (60,000) | (211,227) |
| Total Other Financing Sources (Uses) | $ 92,827 | $ 18,231,831 |
| Net Change in Fund Balances | $ 321,261 | $ 1,217,321 |
| Fund Balance, July 1, 2014 | 2,209,597 | 16,954,493 |
| Fund Balance, June 30, 2015 | $ 2,530,858 | $ 18,171,814 |

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

Exhibit C-4

Marshall 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) | | $ 1,217,321 |
| (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows: | | |
| Add: capital assets purchased in the current period | $ 2,803,267 | |
| Less: current-year depreciation expense | (1,556,810) | 1,246,457 |
| (2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. | | |
| Less: book value of capital assets disposed | | (117,301) |
| (3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Less: deferred delinquent property taxes and other deferred June 30, 2014 | $ (2,720,847) | |
| Add: deferred delinquent property taxes and other deferred June 30, 2015 | 2,354,574 | (366,273) |
| (4) The issuance of long-term debt (e.g., notes, other loans, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items: | | |
| Less: bond proceeds | $ (17,655,000) | |
| Add: principal payments on bonds | 6,850,000 | |
| Add: principal payments on notes | 1,182,912 | |
| Less: change in premium on debt issuances | (533,850) | |
| Add: change in deferred amount on refunding debt | 35,854 | (10,120,084) |
| (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 net pension liability/asset | $ 790,954 | |
| Change in deferred outflows of resources related to pensions | 499,009 | |
| Change in deferred inflows of resources related to pensions | (847,872) | |
| Change in accrued interest payable | 23,518 | |
| Change in compensated absences payable | 4,285 | 469,894 |
| Change in net position of governmental activities (Exhibit B) | | $ (7,669,986) |

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

Exhibit C-5

Marshall County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2015

| | Actual (GAAP Basis) | Less: Encumbrances 7/1/2014 | Add: Encumbrances 6/30/2015 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Local Taxes | $ 6,376,255 | $ 0 | $ 0 | $ 6,376,255 | $ 6,046,811 | $ 6,046,811 | $ 329,444 |
| Licenses and Permits | 202,176 | 0 | 0 | 202,176 | 139,500 | 139,500 | 62,676 |
| Fines, Forfeitures, and Penalties | 108,313 | 0 | 0 | 108,313 | 106,950 | 106,950 | 1,363 |
| Charges for Current Services | 1,600,576 | 0 | 0 | 1,600,576 | 1,408,500 | 1,346,500 | 254,076 |
| Other Local Revenues | 125,950 | 0 | 0 | 125,950 | 126,150 | 129,243 | (3,293) |
| Fees Received from County Officials | 1,495,427 | 0 | 0 | 1,495,427 | 1,418,000 | 1,418,000 | 77,427 |
| State of Tennessee | 1,618,626 | 0 | 0 | 1,618,626 | 1,855,621 | 1,812,887 | (194,261) |
| Federal Government | 99,992 | 0 | 0 | 99,992 | 57,747 | 92,427 | 7,565 |
| Other Governments and Citizens Groups | 163,110 | 0 | 0 | 163,110 | 188,660 | 254,160 | (91,050) |
| Total Revenues | $ 11,790,425 | $ 0 | $ 0 | $ 11,790,425 | $ 11,347,939 | $ 11,346,478 | $ 443,947 |
| **Expenditures** | | | | | | | |
| General Government | | | | | | | |
| County Commission | $ 175,596 | $ (57,000) | $ 500 | $ 119,096 | $ 312,228 | $ 138,621 | $ 19,525 |
| Board of Equalization | 1,291 | 0 | 0 | 1,291 | 3,345 | 1,835 | 544 |
| Other Boards and Committees | 5,113 | 0 | 0 | 5,113 | 12,241 | 9,528 | 4,415 |
| County Mayor/Executive | 132,619 | 0 | 0 | 132,619 | 139,009 | 136,335 | 3,716 |
| County Attorney | 26,995 | 0 | 0 | 26,995 | 40,250 | 55,250 | 28,255 |
| Election Commission | 181,690 | 0 | 0 | 181,690 | 192,670 | 186,945 | 5,255 |
| Register of Deeds | 188,553 | 0 | 0 | 188,553 | 196,701 | 193,596 | 5,043 |
| Planning | 0 | 0 | 0 | 0 | 7,250 | 0 | 0 |
| Building | 167,988 | 0 | 0 | 167,988 | 169,675 | 178,425 | 10,437 |
| County Buildings | 411,044 | 0 | 2,675 | 413,719 | 341,439 | 475,939 | 62,220 |
| Finance | | | | | | | |
| Accounting and Budgeting | 351,129 | 0 | 0 | 351,129 | 375,530 | 368,668 | 17,539 |
| Property Assessor's Office | 255,773 | 0 | 0 | 255,773 | 275,323 | 291,054 | 35,281 |
| Reappraisal Program | 80,047 | 0 | 0 | 80,047 | 92,989 | 91,415 | 11,368 |
| County Trustee's Office | 198,158 | 0 | 0 | 198,158 | 207,039 | 208,539 | 10,381 |
| County Clerk's Office | 367,022 | 0 | 0 | 367,022 | 370,370 | 373,353 | 6,331 |

(Continued)

Exhibit C-5

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

| | Actual (GAAP Basis) | Less: Encumbrances 7/1/2014 | Add: Encumbrances 6/30/2015 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|---|---|---|
| Expenditures (Cont.) | | | | | | | |
| Administration of Justice | | | | | | | |
| Circuit Court | $ 375,374 | $ 0 | $ 158 | $ 375,532 | $ 423,334 | $ 422,323 | $ 46,791 |
| General Sessions Judge | 228,414 | 0 | 0 | 228,414 | 240,010 | 237,795 | 9,381 |
| Chancery Court | 211,364 | 0 | 0 | 211,364 | 241,832 | 232,269 | 20,905 |
| Juvenile Court | 162,525 | 0 | 0 | 162,525 | 175,147 | 174,481 | 11,956 |
| Public Safety | | | | | | | |
| Sheriff's Department | 1,905,221 | 0 | 1,300 | 1,906,521 | 2,142,805 | 2,065,234 | 158,713 |
| Jail | 1,481,787 | 0 | 600 | 1,482,387 | 1,668,629 | 1,622,659 | 140,272 |
| Rural Fire Protection | 110,939 | 0 | 6,234 | 117,173 | 155,617 | 132,214 | 15,041 |
| Civil Defense | 234,507 | (32,000) | 5,124 | 207,631 | 243,754 | 230,072 | 22,441 |
| Other Emergency Management | 238 | 0 | 0 | 238 | 1,400 | 1,000 | 762 |
| County Coroner/Medical Examiner | 60,173 | 0 | 0 | 60,173 | 59,323 | 70,129 | 9,956 |
| Other Public Safety | 547 | 0 | 0 | 547 | 580 | 580 | 33 |
| Public Health and Welfare | | | | | | | |
| Local Health Center | 82,476 | 0 | 0 | 82,476 | 57,100 | 106,471 | 23,995 |
| Rabies and Animal Control | 50,405 | 0 | 0 | 50,405 | 58,142 | 59,048 | 8,643 |
| Ambulance/Emergency Medical Services | 2,244,377 | 0 | 1,728 | 2,246,105 | 2,314,513 | 2,322,201 | 76,096 |
| Maternal and Child Health Services | 4,050 | 0 | 0 | 4,050 | 8,100 | 6,100 | 2,050 |
| Other Local Health Services | 135,184 | 0 | 0 | 135,184 | 266,600 | 264,779 | 129,595 |
| Regional Mental Health Center | 26,100 | 0 | 0 | 26,100 | 24,100 | 26,100 | 0 |
| Appropriation to State | 0 | 0 | 0 | 0 | 2,000 | 0 | 0 |
| Other Public Health and Welfare | 86,032 | 0 | 0 | 86,032 | 86,032 | 86,034 | 2 |
| Social, Cultural, and Recreational Services | | | | | | | |
| Senior Citizens Assistance | 70,350 | 0 | 0 | 70,350 | 70,350 | 70,350 | 0 |
| Libraries | 280,826 | 0 | 1,645 | 282,471 | 307,096 | 313,408 | 30,937 |
| Other Social, Cultural, and Recreational | 0 | 0 | 0 | 0 | 1,800 | 1,800 | 1,800 |
| Agriculture and Natural Resources | | | | | | | |
| Agricultural Extension Service | 79,382 | 0 | 0 | 79,382 | 84,826 | 84,826 | 5,444 |
| Forest Service | 2,000 | 0 | 0 | 2,000 | 2,000 | 2,000 | 0 |
| Soil Conservation | 43,600 | 0 | 0 | 43,600 | 43,945 | 44,554 | 954 |

(Continued)

Exhibit C-5

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

| | Actual (GAAP Basis) | Less: Encumbrances 7/1/2014 | Add: Encumbrances 6/30/2015 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|---|---|---|
| Expenditures (Cont.) | | | | | | | |
| Other Operations | | | | | | | |
| Tourism | $ 50,444 | $ 0 | $ 0 | $ 50,444 | $ 50,900 | $ 55,900 | $ 5,456 |
| Housing and Urban Development | 12,258 | 0 | 0 | 12,258 | 0 | 16,900 | 4,642 |
| Other Economic and Community Development | 250,006 | 0 | 0 | 250,006 | 0 | 357,490 | 107,484 |
| Veterans' Services | 27,835 | 0 | 0 | 27,835 | 36,439 | 35,577 | 7,742 |
| Other Charges | 473,082 | 0 | 0 | 473,082 | 0 | 538,728 | 65,646 |
| Miscellaneous | 0 | 0 | 0 | 0 | 240,850 | 0 | 0 |
| Total Expenditures | $ 11,232,514 | $ (89,000) | $ 19,964 | $ 11,163,478 | $ 11,743,283 | $ 12,290,525 | $ 1,127,047 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 557,911 | $ 89,000 | $ (19,964) | $ 626,947 | $ (395,344) | $ (944,047) | $ 1,570,994 |
| Other Financing Sources (Uses) | | | | | | | |
| Insurance Recovery | $ 14,091 | $ 0 | $ 0 | $ 14,091 | $ 13,000 | $ 15,677 | $ (1,586) |
| Transfers In | 60,000 | 0 | 0 | 60,000 | 60,000 | 60,000 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 | (448,490) | 0 | 0 |
| Total Other Financing Sources | $ 74,091 | $ 0 | $ 0 | $ 74,091 | $ (375,490) | $ 75,677 | $ (1,586) |
| Net Change in Fund Balance | $ 632,002 | $ 89,000 | $ (19,964) | $ 701,038 | $ (770,834) | $ (868,370) | $ 1,569,408 |
| Fund Balance, July 1, 2014 | 5,324,715 | (89,000) | 0 | 5,235,715 | 4,991,759 | 5,235,715 | 0 |
| Fund Balance, June 30, 2015 | $ 5,956,717 | $ 0 | $ (19,964) | $ 5,936,753 | $ 4,220,925 | $ 4,367,345 | $ 1,569,408 |

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

Exhibit C-6

Marshall 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 Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Local Taxes | $ 944,374 | $ 843,616 | $ 843,616 | $ 100,758 |
| Other Local Revenues | 36,632 | 50,000 | 61,308 | (24,676) |
| State of Tennessee | 1,908,422 | 2,139,252 | 2,139,252 | (230,830) |
| Total Revenues | $ 2,889,428 | $ 3,032,868 | $ 3,044,176 | $ (154,748) |
| **Expenditures** | | | | |
| Highways | | | | |
| Administration | $ 210,014 | $ 215,109 | $ 215,109 | $ 5,095 |
| Highway and Bridge Maintenance | 1,400,127 | 1,700,638 | 1,696,831 | 296,704 |
| Operation and Maintenance of Equipment | 654,389 | 740,301 | 740,301 | 85,912 |
| Other Charges | 80,691 | 80,743 | 84,550 | 3,859 |
| Employee Benefits | 25,467 | 28,925 | 28,925 | 3,458 |
| Capital Outlay | 303,304 | 743,203 | 554,511 | 251,207 |
| Total Expenditures | $ 2,673,992 | $ 3,508,919 | $ 3,320,227 | $ 646,235 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 215,436 | $ (476,051) | $ (276,051) | $ 491,487 |
| Net Change in Fund Balance | $ 215,436 | $ (476,051) | $ (276,051) | $ 491,487 |
| Fund Balance, July 1, 2014 | 484,968 | 518,560 | 484,968 | 0 |
| Fund Balance, June 30, 2015 | $ 700,404 | $ 42,509 | $ 208,917 | $ 491,487 |

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

Exhibit D

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

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash | $ 1,002,276 |
| Equity in Pooled Cash and Investments | 65,470 |
| Accounts Receivable | 303 |
| Due from Other Governments | 345,500 |
| Total Assets | $ 1,413,549 |
| **LIABILITIES** | |
| Accounts Payable | $ 512 |
| Payroll Deductions Payable | 1,384 |
| Due to Other Taxing Units | 345,500 |
| Due to Litigants, Heirs, and Others | 1,066,153 |
| Total Liabilities | $ 1,413,549 |

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

# MARSHALL COUNTY, TENNESSEE
## Index of Notes to the Financial Statements


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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marshall 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 Marshall County:

### A. Reporting Entity

Marshall County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Marshall 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 relationship 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 Marshall County School Department operates the public school system in the county, and the voters of Marshall County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

The Marshall County Board of Public Utilities provides water services for the citizens of Marshall County, and the Marshall County Commission appoints its governing body. The public utility may not issue debt without county approval, and its budget is subject to the County Commission's approval. Water sales are the major source of funding, with the county being contingently liable for any debt.

The Marshall County School Department and the Marshall County Board of Public Utilities do not issue separate financial statements from those of the county. Therefore, basic financial statements of the Marshall County School Department and the Marshall County Board of Public Utilities are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Marshall County Emergency Communications District were not available in time for inclusion as previously mentioned. Complete financial statements of the Marshall County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Marshall County Emergency Communications District
P.O. Box 2786
Lewisburg, TN 37091

## B. <u>Government-wide and Fund Financial Statements</u>

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 Marshall 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 Marshall County School Department component unit only reports governmental activities in the government-wide financial statements while the Marshall County Board of Public Utilities component unit reports an enterprise fund.

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.

Marshall County issues all debt for the discretely presented Marshall County School Department. Net debt issues totaling $13,617,306 were 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. 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 proprietary fund and fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Marshall 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 outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. 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. Marshall 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 General Debt Service Fund 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.

The discretely presented Marshall County Board of Public Utilities proprietary fund and the primary government's fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Marshall County reports the following major governmental funds:

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

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

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

**General Capital Projects Fund** – This fund accounts for the acquisition or construction of major capital facilities for the general government and debt issued by the county that is subsequently contributed to the discretely presented Marshall County School Department for general capital expenditures.

**Other Capital Projects Fund** – This fund accounts for various capital projects and capital outlay for the county. Local taxes are the foundational revenues of this fund.

Additionally, Marshall County reports the following fund type:

> **Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Marshall County, and assets being held in a custodial capacity for the Marshall County Joint Economic Development Board. 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 Marshall County School Department reports the following major governmental funds:

> **General Purpose School Fund** – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.
>
> **Education Capital Projects Fund** – This fund is used to account for the receipt of debt issued by Marshall County and contributed to the School Department for building construction and renovations.

Additionally, the Marshall 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.

The discretely presented Marshall County Board of Public Utilities reports the following major proprietary fund:

> **Board of Public Utilities Fund** – This fund accounts for water distribution services to areas of the county not served by existing municipal systems.

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.

The discretely presented Marshall County Public Utilities' proprietary fund (enterprise fund) distinguishes operating revenues and expenses from nonoperating items and is used to account for water distribution services to areas of the county not served by existing municipal systems. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise fund include payments to vendors, administrative expenses, and employee benefits.

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

### 1. Deposits and Investments

For purposes of the Statement of Cash Flows for the discretely presented Board of Public Utilities Fund, cash includes cash on hand, demand deposits, and cash on deposit with the county trustee.

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, the discretely presented Marshall County School Department, and the discretely presented Marshall County Board of Public Utilities. 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 Fund. Marshall County, the School Department, and the Board of Public Utilities 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 for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to one percent of total taxes levied.

The Marshall County Board of Public Utilities' accounts receivable for water sales are shown without an allowance for uncollectibles. The utility does not provide an allowance for uncollectible accounts because of its ability to stop service for nonpaying customers.

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. Current liabilities payable from restricted assets reflected in the General Fund represents deposits held for property damage on rented property ($200). Current liabilities payable from restricted assets reflected in the Board of Public Utilities Fund represent funds on deposit with the county trustee for customer deposits ($129,464).

Retainage payable in the discretely presented Education Capital Projects and the Board of Public Utilities funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the respective funds.

### 3. Inventories

Inventories of the Marshall County Board of Public Utilities are recorded at cost, determined on the first-in, first-out method. Inventories are recorded as expenditures when consumed rather than when purchased.

### 4. 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 primary government, the discretely presented School Department, and the discretely presented Board of Public Utilities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $10,000 or more ($25,000 infrastructure) and an estimated useful life of 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. Interest incurred during the construction phase of capital assets of the Marshall County Board of Public Utilities Fund is included as part of the capitalized value of the assets constructed.

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

| Assets | Years |
|---|---|
| Buildings and Improvements | 7 - 40 |
| Other Capital Assets | 5 - 20 |
| Infrastructure: | |
| Roads | 50 |
| Bridges | 50 |
| Water Systems | 50 |

### 5. Deferred Outflows/Inflows of Resources

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

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

### 6. Compensated Absences

It is the policy of the county, the discretely presented Marshall County School Department, and the discretely presented Marshall County Board of Public Utilities to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the county, the School Department, and the Board of Public Utilities do not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county and its discretely presented component units. A liability for vacation benefits is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

7. **Long-term Obligations**

In the government-wide financial statements and the Marshall County Board of Public Utilities' proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund 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.

8. **Net Position and Fund Balance**

In the government-wide financial statements and the Marshall County Board of Public Utilities' proprietary fund in the fund 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.

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for Other Purposes for the primary government consists of pension obligations.

As of June 30, 2015, Marshall County had $36,632,516 in outstanding debt for capital purposes for the discretely presented Marshall County School Department. This debt is a liability of Marshall County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Marshall County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

## 9. <u>Minimum Fund Balance Policy</u>

To provide management with appropriate guidelines and direction to assist in making sound decisions related to managing the fund balance of certain governmental funds, the following minimum fund balance policy exists and consists of the sum of committed, assigned, and unassigned fund balance:

General Fund – 25 percent of current-year expenditures

## 10. <u>Restatements</u>

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 increase Marshall County's beginning net position by $105,813, decrease Marshall County School Department's beginning net position by ($6,302,911), and increase Marshall County Board of Public Utilities' beginning net position by $10,714 has been recognized on the Statement of Activities.

### 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 Marshall County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Marshall 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 Marshall 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 Marshall 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 Marshall 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 Officer - Fees Fund (special revenue fund), which is not budgeted, the primary government's General Capital Projects and the School Department's Education Capital Projects Fund, 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, Other Boards and Committees, County Mayor/Executive, 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 Marshall County School Department reported significant encumbrances in the General Purpose School Fund for textbooks and roofing projects in the amounts of $235,993 and $477,227, respectively.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

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

#### Deposits

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

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

#### Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2015.

## B. Capital Assets

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

## Primary Government

**Governmental Activities:**

| | Balance 7-1-14 | Increases | Decreases | Balance 6-30-15 |
|---|---|---|---|---|
| Capital Assets Not Depreciated: | | | | |
| Land | $ 13,443,160 | $ 0 | $ (72,274) | $ 13,370,886 |
| Construction in Progress | 649,577 | 1,079,627 | (1,729,204) | 0 |
| Total Capital Assets Not Depreciated | $ 14,092,737 | $ 1,079,627 | $ (1,801,478) | $ 13,370,886 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | $ 17,831,996 | $ 1,764,263 | $ 0 | $ 19,596,259 |
| Infrastructure | 28,471,097 | 857,218 | 0 | 29,328,315 |
| Other Capital Assets | 7,155,629 | 831,363 | (206,760) | 7,780,232 |
| Total Capital Assets Depreciated | $ 53,458,722 | $ 3,452,844 | $ (206,760) | $ 56,704,806 |

**Governmental Activities (Cont.):**

| | Balance 7-1-14 | Increases | Decreases | Balance 6-30-15 |
|---|---|---|---|---|
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | $ 5,464,536 | $ 456,782 | $ 0 | $ 5,921,318 |
| Infrastructure | 16,181,286 | 557,522 | 0 | 16,738,808 |
| Other Capital Assets | 4,687,248 | 542,506 | (161,733) | 5,068,021 |
| Total Accumulated Depreciation | $ 26,333,070 | $ 1,556,810 | $ (161,733) | $ 27,728,147 |
| Total Capital Assets Depreciated, Net | $ 27,125,652 | $ 1,896,034 | $ (45,027) | $ 28,976,659 |
| Governmental Activities Capital Assets, Net | $ 41,218,389 | $ 2,975,661 | $ (1,846,505) | $ 42,347,545 |

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

**Governmental Activities:**

| | |
|---|---|
| General Government | $ 161,457 |
| Public Safety | 353,781 |
| Public Health and Welfare | 240,514 |
| Social, Cultural, and Recreational Services | 1,659 |
| Highway/Public Works | 799,399 |
| Total Depreciation Expense - Governmental Activities | $ 1,556,810 |

## Discretely Presented Marshall County School Department

**Governmental Activities:**

| | Balance 7-1-14 | Increases | Decreaes | Balance 6-30-15 |
|---|---|---|---|---|
| Capital Assets Not Depreciated: | | | | |
| Land | $ 2,375,826 | $ 31,200 | $ 0 | $ 2,407,026 |
| Construction in Progress | 699,345 | 14,097,913 | 0 | 14,797,258 |
| Total Capital Assets Not Depreciated | $ 3,075,171 | $ 14,129,113 | $ 0 | $ 17,204,284 |

**Governmental Activities (Cont.):**

| | Balance 7-1-14 | Increases | Decreaes | Balance 6-30-15 |
|---|---|---|---|---|
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | $ 69,837,217 | $ 113,962 | $ 0 | $ 69,951,179 |
| Infrastructure | 106,997 | 0 | 0 | 106,997 |
| Other Capital Assets | 6,831,563 | 499,673 | (12,040) | 7,319,196 |
| Total Capital Assets Depreciated | $ 76,775,777 | $ 613,635 | $ (12,040) | $ 77,377,372 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | $ 36,574,450 | $ 1,647,225 | $ 0 | $ 38,221,675 |
| Infrastructure | 4,012 | 5,350 | 0 | 9,362 |
| Other Capital Assets | 3,875,632 | 593,704 | (12,040) | 4,457,296 |
| Total Accumulated Depreciation | $ 40,454,094 | $ 2,246,279 | $ (12,040) | $ 42,688,333 |
| Total Capital Assets Depreciated, Net | $ 36,321,683 | $ (1,632,644) | $ 0 | $ 34,689,039 |
| Governmental Activities Capital Assets, Net | $ 39,396,854 | $ 12,496,469 | $ 0 | $ 51,893,323 |

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

**Governmental Activities:**

| | |
|---|---|
| Instruction | $ 31,800 |
| Support Services | 2,195,116 |
| Operation of Non-instructional Services | 19,363 |
| Total Depreciation Expense - Governmental Activities | $ 2,246,279 |

## Discretely Presented Marshall County Board of Public Utilities

**Business-type Activities:**

| | Balance 7-1-14 | Increases | Decreases | Balance 6-30-15 |
|---|---|---|---|---|
| Capital Assets Not Depreciated: | | | | |
| Land | $ 158,097 | $ 197,804 | $ 0 | $ 355,901 |
| Construction in Progress | 806,912 | 1,165,664 | (1,286,782) | 685,794 |
| Total Capital Assets Not Depreciated | $ 965,009 | $ 1,363,468 | $ (1,286,782) | $ 1,041,695 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | $ 979,951 | $ 0 | $ 0 | $ 979,951 |
| Infrastructure | 23,655,481 | 1,343,482 | 0 | 24,998,963 |
| Other Capital Assets | 2,318,196 | 0 | (65,881) | 2,252,315 |
| Total Capital Assets Depreciated | $ 26,953,628 | $ 1,343,482 | $ (65,881) | $ 28,231,229 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | $ 147,187 | $ 25,093 | $ 0 | $ 172,280 |
| Infrastructure | 6,384,779 | 418,789 | 0 | 6,803,568 |
| Other Capital Assets | 1,535,279 | 201,892 | (65,881) | 1,671,290 |
| Total Accumulated Depreciation | $ 8,067,245 | $ 645,774 | $ (65,881) | $ 8,647,138 |
| Total Capital Assets Depreciated, Net | $ 18,886,383 | $ 697,708 | $ 0 | $ 19,584,091 |
| Business-type Activities Capital Assets, Net | $ 19,851,392 | $ 2,061,176 | $ (1,286,782) | $ 20,625,786 |

Depreciation expense totaled $645,774 for the year ended June 30, 2015.

## C. Construction Commitments

At June 30, 2015, the discretely presented School Department's Education Capital Projects Fund had uncompleted contracts of approximately $634,869 for the construction of school buildings. Funding has been received for these future expenditures.

## D. Interfund Receivables, Payables, and Transfers

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

**Due to/from Primary Government and Component Unit:**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Component Unit: | | |
| Marshall County Board of | Primary Government: | |
| Public Utilities | General | $ 192,597 |

This balance is adequate facilities taxes collected by the primary government and due to the component unit.

**Interfund Transfers:**

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

**Primary Government**

| | Transfers In | |
|---|---|---|
| Transfers Out | General Fund | Nonmajor Governmental Fund |
| Other Capital Projects Fund | $ 0 | $ 151,227 |
| Nonmajor governmental fund | 60,000 | 0 |

**Discretely Presented Marshall County School Department**

| | Transfers In | |
|---|---|---|
| Transfers Out | General Purpose School Fund | Nonmajor Governmental Fund |
| General Purpose School Fund | $ 0 | $ 100,000 |
| Nonmajor governmental fund | 36,768 | 0 |

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

## E. Long-term Obligations

### Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 30 years for bonds and up to 13 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2015, will be retired from the General Debt Service Fund.

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

| Type | Interest Rate | Final Maturity | Original Amount of Issue | Balance 6-30-15 |
|---|---|---|---|---|
| General Obligation Bonds | 1.84 to 4 % | 12-1-44 | $ 35,815,000 | $ 31,868,260 |
| General Obligation Bonds - Refunding | 2.04 to 3.8 | 12-1-44 | 18,960,000 | 14,016,740 |
| Capital Outlay Notes | 0.75 | 1-1-24 | 2,982,250 | 2,139,921 |

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

| Year Ending June 30 | Notes Principal | Notes Interest | Notes Total |
|---|---|---|---|
| 2016 | $ 244,737 | $ 15,207 | $ 259,944 |
| 2017 | 246,575 | 13,369 | 259,944 |
| 2018 | 248,435 | 11,509 | 259,944 |
| 2019 | 250,297 | 9,647 | 259,944 |
| 2020 | 252,182 | 7,762 | 259,944 |
| 2021-2024 | 897,695 | 12,176 | 909,871 |
| Total | $ 2,139,921 | $ 69,670 | $ 2,209,591 |

| Year Ending June 30 | Bonds Principal | Bonds Interest | Bonds Total |
|---|---|---|---|
| 2016 | $ 2,920,000 | $ 1,473,479 | $ 4,393,479 |
| 2017 | 3,005,000 | 1,389,503 | 4,394,503 |
| 2018 | 3,080,000 | 1,302,565 | 4,382,565 |
| 2019 | 2,885,000 | 1,213,721 | 4,098,721 |
| 2020 | 2,935,000 | 1,127,330 | 4,062,330 |
| 2021-2025 | 10,345,000 | 4,515,932 | 14,860,932 |
| 2026-2030 | 8,075,000 | 2,987,531 | 11,062,531 |
| 2031-2035 | 4,090,000 | 1,889,045 | 5,979,045 |
| 2036-2040 | 4,005,000 | 1,227,220 | 5,232,220 |
| 2041-2045 | 4,545,000 | 407,017 | 4,952,017 |
| Total | $ 45,885,000 | $ 17,533,343 | $ 63,418,343 |

There is $7,494,563 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and notes, totaled $1,569, based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:

| | Bonds | Notes |
|---|---|---|
| Balance, July 1, 2014 | $ 35,080,000 | $ 3,322,833 |
| Additions | 17,655,000 | 0 |
| Reductions | (6,850,000) | (1,182,912) |
| Balance, June 30, 2015 | $ 45,885,000 | $ 2,139,921 |
| Balance Due Within One Year | $ 2,920,000 | $ 244,737 |

| | Compensated Absences |
|---|---|
| Balance, July 1, 2014 | $ 178,676 |
| Additions | 344,414 |
| Reductions | (348,699) |
| Balance, June 30, 2015 | $ 174,391 |
| Balance Due Within One Year | $ 174,391 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---|
| Total Noncurrent Liabilities, June 30, 2015 | $ 48,199,312 |
| Less: Due Within One Year | (3,339,128) |
| Add: Unamortized Premium on Debt | 772,432 |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | $ 45,632,616 |

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

Current Refunding

On October 14, 2014, Marshall County refunded a general obligation bond issue with a separate general obligation bond issue. The county issued $4,105,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the refunding, total debt service payments over the next six years will be reduced by $293,019, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of $281,689 was obtained.

**Discretely Presented Marshall County School Department**

Changes in Long-term Obligations

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

Governmental Activities:

| | Compensated Absences | Other Postemployment Benefits |
|---|---|---|
| Balance, July 1, 2014 | $ 152,999 | $ 5,571,587 |
| Additions | 216,048 | 965,740 |
| Reductions | (223,668) | (565,247) |
| Balance, June 30, 2015 | $ 145,379 | $ 5,972,080 |
| Balance Due Within One Year | $ 145,379 | $ 0 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---|
| Total Noncurrent Liabilities, June 30, 2015 | $ 6,117,459 |
| Less: Due Within One Year | (145,379) |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | $ 5,972,080 |

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General Purpose School Fund.

## Discretely Presented Marshall County Board of Public Utilities

### Revenue Bonds

The Board of Public Utilities issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds outstanding were issued for original terms of up to 38 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All revenue bonds will be retired by the utility.

Revenue bonds of the utility outstanding as of June 30, 2015, for business-type activities were as follows:

| Type | Interest Rate | Final Maturity | Original Amount of Issue | Balance 6-30-15 |
|---|---|---|---|---|
| Water Revenue and Tax Bonds | 2.5 to 4.5 % | 6-26-51 | $ 8,330,000 | $ 7,645,243 |

The annual requirements to amortize all revenue bonds outstanding as of June 30, 2015, including interest payments, are presented in the following table:

| Year Ending | | Bonds | |
| --- | --- | --- | --- |
| June 30 | Principal | Interest | Total |
| 2016 | $ 140,203 | $ 259,613 | $ 399,816 |
| 2017 | 145,256 | 254,560 | 399,816 |
| 2018 | 150,500 | 249,316 | 399,816 |
| 2019 | 155,939 | 243,877 | 399,816 |
| 2020 | 161,585 | 238,231 | 399,816 |
| 2021-2025 | 900,325 | 1,098,755 | 1,999,080 |
| 2026-2030 | 1,027,928 | 923,291 | 1,951,219 |
| 2031-2035 | 1,072,241 | 743,119 | 1,815,360 |
| 2036-2040 | 1,274,538 | 540,822 | 1,815,360 |
| 2041-2045 | 1,360,339 | 309,099 | 1,669,438 |
| 2046-2050 | 1,161,753 | 95,814 | 1,257,567 |
| 2051 | 94,636 | 831 | 95,467 |
| Total | $ 7,645,243 | $ 4,957,328 | $ 12,602,571 |

Changes in Long-term Obligations

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

Business-type Activities:

| | Bonds | Compensated Absences |
| --- | --- | --- |
| Balance, July 1, 2014 | $ 7,828,378 | $ 16,859 |
| Additions | 0 | 31,734 |
| Reductions | (183,135) | (30,353) |
| Balance, June 30, 2015 | $ 7,645,243 | $ 18,240 |
| Balance Due Within One Year | $ 140,203 | $ 18,240 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
| --- | --- |
| Total Noncurrent Liabilities, June 30, 2015 | $ 7,663,483 |
| Less: Due Within One Year | (158,443) |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | $ 7,505,040 |

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Marshall 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 $115,099 and $34,039, 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 and the Discretely Presented Marshall County Board of Public Utilities

Marshall County and the Marshall County Board of Public Utilities are exposed to various risks related to general liability, property, and casualty losses. In prior years, the county and the Board of Public Utilities decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The county and the Board of Public Utilities joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county and the Board of Public Utilities pay annual premiums to the LGPCF for their 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.

Marshall County and the Board of Public Utilities do not have a workers' compensation plan, but carry an occupational injury insurance policy. This policy covers workers' injuries, but it does not limit the county's liability should occupational-related lawsuits be filed.

Marshall County and the Board of Public Utilities purchase commercial health insurance for employees of the general government and the utility. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Pre-65 age retirees are not allowed to participate in the health insurance program.

**Discretely Presented Marshall County School Department**

The discretely presented Marshall County 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, casualty, and worker's compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The 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, *Tennessee Code Annotated* (*TCA*), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

## B. Accounting Changes

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

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

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

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

## C. Contingent Liabilities

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

Marshall County is contingently liable for certain water revenue and tax bonds totaling $7,645,243 issued or assumed by the discretely presented Marshall County Board of Public Utilities. In the event that revenues of the utility are insufficient to meet the debt service requirements, the payments will be made by Marshall County from ad valorem taxes levied upon all property in the county.

## D. Changes in Administration

On August 31, 2014, Elinor Foster left the Office of Circuit, General Sessions, and Juvenile Court Clerk and was succeeded by Courtney Boatright, and Norman Dalton left the Office of Sheriff and was succeeded by Billy Lamb.

The Marshall County Commission appointed Malinda White as Director of Accounts and Budgets effective October 6, 2014.

## E. Joint Ventures

### Primary Government

The Marshall County Joint Economic Development Board is a joint venture between Marshall County, the City of Lewisburg, and the Towns of Chapel Hill, Petersburg, and Cornersville. The board comprises the county mayor, city mayor, town administrators, and 16 additional members. The purpose of the board is to foster communication and facilitate economic and community development between and among governmental entities, industry, and private citizens. The city, towns, and county provide the majority of funding for the board based on the percentage of its population compared to the total census of the county. Marshall County has been designated as the fiscal agent for the board and accounts for its activities through the Community Development - Agency Fund, which is included in the financial statements of this report. Marshall County contributed $56,409 to the operations of the board during the year ended June 30, 2015.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Marshall, Lincoln, Moore, and Marshall 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 participating law enforcement agencies within the judicial district. Marshall County did not contribute to the DTF for the year ended June 30, 2015.

Marshall County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General
Seventeenth Judicial District Drug Task Force
P.O. Box 878
Fayetteville, TN 37334

**Discretely Presented Marshall County School Department**

The discretely presented School Department participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Marshall County, Coffee County, Dickson County, Fayetteville City, Hickman County, Houston County, Humphreys County, Manchester City, Marshall County, Maury County, Robertson County, and Stewart County. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated* to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Stewart County School Department) and a service provider to provide these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

Complete financial statements for the Volunteer State Cooperative can be obtained from its administrative office at the following address:

Administrative Office:

Volunteer State Cooperative
1800 Wilson Parkway
Fayetteville, TN 37334

## F. Retirement Commitments

### 1. Tennessee Consolidated Retirement System (TCRS)

#### Primary Government

#### General Information About the Pension Plan

*Plan Description.* Employees of Marshall County and the discretely presented Marshall County Board of Public Utilities and non-certified employees of the discretely presented Marshall County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 38.42 percent, the employees of the discretely presented Marshall County Board of Public Utilities comprise 3.89 percent, and the non-certified employees of the discretely presented School Department comprise 57.69 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.

*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 | 195 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 248 |
| Active Employees | 442 |
| Total | 885 |

*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. Marshall County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Marshall County were $804,051 based on a rate of 6.59 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Marshall 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.

**Net Pension Liability (Asset)**

Marshall 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 | 6.46 % | 33 % |
| Developed Market International Equity | 6.26 | 17 |
| Emerging Market International Equity | 6.40 | 5 |
| Private Equity and Strategic Lending | 4.61 | 8 |
| U.S. Fixed Income | 0.98 | 29 |
| Real Estate | 4.73 | 7 |
| Short-term Securities | 0.00 | 1 |
| Total | | 100 % |

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Marshall 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 Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
|---|---|---|---|
| Balance, July 1, 2013 | $ 31,216,153 | $ 30,309,809 | $ 906,344 |
| Changes for the year: | | | |
| Service Cost | $ 1,004,774 | $ 0 | $ 1,004,774 |
| Interest | 2,357,662 | 0 | 2,357,662 |
| Differences Between Expected and Actual Experience | 194,505 | 0 | 194,505 |
| Contributions-Employer | 0 | 1,181,756 | (1,181,756) |
| Contributions-Employees | 0 | 594,063 | (594,063) |
| Net Investment Income | 0 | 5,038,837 | (5,038,837) |
| Benefit Payments, Including Refunds of Employee Contributions | (1,570,856) | (1,570,856) | 0 |
| Administrative Expense | 0 | (17,256) | 17,256 |
| Other Changes | 0 | 0 | 0 |
| Net Changes | $ 1,986,085 | $ 5,226,544 | $ (3,240,459) |
| Balance, June 30, 2014 | $ 33,202,238 | $ 35,536,353 | $ (2,334,115) |

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

| | | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|---|---|---|---|
| Primary Government | 38.42% | $ 12,756,300 | $ 13,653,067 | $ (896,767) |
| Board of Public Utilities | 3.89% | 1,291,567 | 1,382,364 | (90,797) |
| School Department | 57.69% | 19,154,371 | 20,500,922 | (1,346,551) |
| Total | | $ 33,202,238 | $ 35,536,353 | $ (2,334,115) |

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Marshall 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:

| Marshall County | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|---|---|---|---|
| Net Pension Liability | $ 2,048,039 | $ (2,334,115) | $ (5,966,362) |

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

*Pension Income.* For the year ended June 30, 2015, Marshall County recognized pension income of $13,940.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, Marshall 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 | $ 162,087 | $ 0 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 2,206,850 |
| Contributions Subsequent to the Measurement Date of June 30, 2014 (1) | 804,051 | N/A |
| Total | $ 966,138 | $ 2,206,850 |

(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 | $ | 499,009 | $ | 847,872 |
| Board of Public Utilities | | 40,691 | | 85,846 |
| School Department | | 426,438 | | 1,273,132 |
| Total | $ | 966,138 | $ | 2,206,850 |

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 | $ (519,294) |
| 2017 | (519,294) |
| 2018 | (519,294) |
| 2019 | (519,294) |
| 2020 | 32,418 |
| Thereafter | 0 |

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

**<u>Discretely Presented Marshall County Board of Public Utilities</u>**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Marshall County and the discretely presented Marshall County Board of Public Utilities, and non-certified employees of the discretely presented Marshall County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 38.42 percent, the employees of the discretely presented

Marshall County Board of Public Utilities comprise 3.89 percent, and the non-certified employees of the discretely presented School Department comprise 57.69 percent of the plan based on census data.

**Discretely Presented Marshall County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Marshall County and non-certified employees of the discretely presented Marshall County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 38.42 percent, the employees of the discretely presented Marshall County Board of Public Utilities comprise 3.89 percent, and the non-certified employees of the discretely presented School Department comprise 57.69 percent of the plan based on census data.

**Certified Employees**

**Teacher Retirement Plan**

**General Information About the Pension Plan**

*Plan Description.* Teachers of the Marshall 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 for 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 $44,305, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

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

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| LEAs Contributions Subsequent to the Measurement Date of June 30, 2014 | $ 44,305 | N/A |

The Marshall County School Department's employer contributions of $44,305 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

## Teacher Legacy Pension Plan

### General Information About the Pension Plan

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

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

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Marshall County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were $1,675,259, 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 Marshall County School Department reported an asset of $80,068 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 Marshall County School Department's proportion of the net pension asset was based on the Marshall 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 Marshall County School Department's proportion was .492739 percent. The proportion measured as of June 30, 2013, was .497023 percent.

*Pension Income.* For the year ended June 30, 2015, the Marshall County School Department recognized a pension income of $78,739.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, the Marshall 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 | $ 194,385 | $ 0 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 6,597,082 |
| Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions | 0 | 60,426 |
| LEAs Contributions Subsequent to the Measurement Date of June 30, 2014 | 1,675,259 | N/A |
| Total | $ 1,869,644 | $ 6,657,508 |

The Marshall County School Department's employer contributions of $1,675,259 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 | $ (1,626,944) |
| 2017 | (1,626,944) |
| 2018 | (1,626,944) |
| 2019 | (1,626,944) |
| 2020 | 22,326 |
| Thereafter | 22,326 |

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

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

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

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

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

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

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

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

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

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

| School Department's Proportionate Share of the Net Pension Liability (Asset) | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|---|---|---|---|
| Net Pension Liability | $ 13,504,350 | $ (80,068) | $ (11,326,494) |

*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

Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities offer their employees a deferred compensation plan established pursuant to IRC Section 457. All costs of administering and funding this program 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.

## G. Other Postemployment Benefits (OPEB)

### Discretely Presented Marshall County School Department

#### Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for health care benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for employees of local education agencies. 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://tennessee.gov/finance/act/cafr.shtml.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is 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 the plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 members and a full subsidy based on years of service for post-65 members in the Medicare Supplement Plan. The School Department recognized expenditures of $565,247 for postemployment health care during the year ended June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation

| | Local Education Group Plan |
|---|---|
| ARC | $ 960,000 |
| Interest on the NOPEBO | 222,863 |
| Adjustment to the ARC | (217,123) |
| Annual OPEB cost | $ 965,740 |
| Amount of contribution | (565,247) |
| Increase/decrease in NOPEBO | $ 400,493 |
| Net OPEB obligation, 7-1-14 | 5,571,587 |
| Net OPEB obligation, 6-30-15 | $ 5,972,080 |

| Fiscal Year Ended | Plan | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|---|---|---|---|---|
| 6-30-13 | Local Education Group | $ 1,307,100 | 39 % | $ 5,231,944 |
| 6-30-14 | " | 932,391 | 64 | 5,571,587 |
| 6-30-15 | " | 965,740 | 59 | 5,972,080 |

Funded Status and Funding Progress

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

(dollars in thousands)

| | | Local Education Group Plan |
|---|---|---|
| Actuarial valuation date | | 7-1-13 |
| Actuarial accrued liability (AAL) | $ | 7,187 |
| Actuarial value of plan assets | $ | 0 |
| Unfunded actuarial accrued liability (UAAL) | $ | 7,187 |
| Actuarial value of assets as a % of the AAL | | 0% |
| Covered payroll (active plan members) | $ | 24,739 |
| UAAL as a % of covered payroll | | 29% |

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 Education Group 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 fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The 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.

## H. Office of Central Accounting and Budgeting

Marshall County operates under provisions of Chapter 17, Private Acts of 2005, which provides for a central system of accounting and budgeting covering funds administered by the county mayor and highway superintendent. These funds are maintained in the Office of Director of Accounts and Budgets.

## I. Purchasing Laws

Office of County Mayor

Purchasing procedures for this office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-207, *Tennessee Code Annotated* (*TCA*), which provide for competitive bids on all purchases exceeding $10,000. Chapter 17, Private Acts of 2005, requires that purchases exceeding $500 be approved in advance by the director of accounts and budgets.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 17, Private Acts of 2005, and the Uniform Road Law, Section 54-7-113, *TCA*. Competitive bids are required to be solicited through newspaper advertisement for all purchases exceeding $10,000, and purchases exceeding $500 are required to have prior approval by the director of accounts and budgets.

Office of Director of Schools

Purchasing procedures for the Marshall County 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.

Office of Board of Public Utilities

The utility has a general policy of requiring all purchases exceeding $10,000 to be made after public advertisement and solicitation of competitive bids.

# Required Supplementary Information

Exhibit E-1

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

| | 2014 |
|---|---|
| **Total Pension Liability (Asset)** | |
| Service Cost | $ 1,004,774 |
| Interest | 2,357,662 |
| Differences Between Actual and Expected Experience | 194,505 |
| Benefit Payments, Including Refunds of Employee Contributions | (1,570,856) |
| Net Change in Total Pension Liability (Asset) | $ 1,986,085 |
| Total Pension Liability (Asset), Beginning | 31,216,153 |
| Total Pension Liability (Asset), Ending (a) | $ 33,202,238 |
| **Plan Fiduciary Net Position** | |
| Contributions - Employer | $ 1,181,756 |
| Contributions - Employee | 594,063 |
| Net Investment Income | 5,038,837 |
| Benefit Payments, Including Refunds of Employee Contributions | (1,570,856) |
| Administrative Expense | (17,256) |
| Net Change in Plan Fiduciary Net Position | $ 5,226,544 |
| Plan Fiduciary Net Position, Beginning | 30,309,809 |
| Plan Fiduciary Net Position, Ending (b) | $ 35,536,353 |
| Net Pension Liability (Asset), Ending (a - b) | $ (2,334,115) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 107.03% |
| Covered Employee Payroll | $ 11,889,021 |
| Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll | 19.63% |

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

Note: data presented is 38.42% primary government, 3.89% discretely presented Board of Public Utilities, and 57.69% discretely presented non-certified employees of the School Department.

Exhibit E-2

Marshall County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

| | 2014 | 2015 |
|---|---|---|
| Actuarially Determined Contribution | $ 1,181,756 | $ 804,051 |
| Less Contributions in Relation to the Actuarially Determined Contribution | (1,181,756) | (804,051) |
| Contribution Deficiency (Excess) | $ 0 | $ 0 |
| Covered Employee Payroll | $ 11,889,021 | $ 14,654,119 |
| Contributions as a Percentage of Covered Employee Payroll | 9.94% | 5.49% |

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

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

Exhibit E-3

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

| | 2015 |
|---|---|
| Actuarially Determined Contribution | $ 27,691 |
| Less Contributions in Relation to the Actuarially Determined Contribution | (44,305) |
| Contribution Deficiency (Excess) | $ (16,614) |
| Covered Employee Payroll | $ 1,107,625 |
| Contributions as a Percentage of Covered Employee Payroll | 4.00% |

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

Exhibit E-4

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

| | 2014 | 2015 |
|---|---|---|
| Actuarially Determined Contribution | $ 1,717,390 | $ 1,675,259 |
| Less Contributions in Relation to the Actuarially Determined Contribution | (1,717,390) | (1,675,259) |
| Contribution Deficiency (Excess) | $ 0 | $ 0 |
| Covered Employee Payroll | $ 19,339,962 | $ 18,535,852 |
| Contributions as a Percentage of Covered Employee Payroll | 8.88% | 9.04% |

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

Exhibit E-5

Marshall County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Marshall County School Department
For the Fiscal Year Ended June 30 *

| | 2014 |
|---|---|
| School Department's Proportion of the Net Pension Asset | 0.492739% |
| School Department's Proportionate Share of the Net Pension Asset | $ 80,068 |
| Covered Employee Payroll | $ 19,339,962 |
| School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll | 0.41% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 100.08% |

* The amounts presented were determined as of June 30 of the prior fiscal year.

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

Exhibit E-6

Marshall County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Marshall County School Department
June 30, 2015

(Dollar amounts in thousands)

| Plan | Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|---|
| Local Education Group | 7-1-10 | $ 0 | $ 10,702 | $ 10,702 | 0 % | $ 23,119 | 46 % |
| " | 7-1-11 | 0 | 9,946 | 9,946 | 0 | 23,480 | 42 |
| " | 7-1-13 | 0 | 7,187 | 7,187 | 0 | 24,739 | 29 |

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

### TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

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

Methods and assumptions used to determine contribution rates:

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