OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

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

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

$4,285,000
CUMBERLAND COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

Dated: August 12, 2016. Due: June 1, as shown below.

The $4,285,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2016 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

The Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021.

Due (June 1)	Amount	Interest Rate	Yield		CUSIP**	Due (June 1)	Amount	Interest Rate	Yield		CUSIP**
2017	$ 75,000	2.00%	0.60%		230615 MH6	2023	$ 410,000	2.00%	1.25%	c	230615 MP8
2018	55,000	2.00	0.70		230615 MJ2	2024	420,000	2.00	1.35	c	230615 MQ6
2019	380,000	2.00	0.75		230615 MK9	2025	430,000	2.00	1.45	c	230615 MR4
2020	385,000	2.00	0.90		230615 ML7	2026	435,000	2.00	1.50	c	230615 MS2
2021	395,000	2.00	1.10		230615 MM5	2027	445,000	2.00	1.55	c	230615 MT0
2022	400,000	2.00	1.15	c	230615 MN3	2028	455,000	2.00	1.65	c	230615 MU7

c = Yield to call on June 1, 2021.

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Robertson Overbey, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Randal Basten, County Attorney. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about August 12, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

July 18, 2016

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

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

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

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

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

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

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

CUMBERLAND COUNTY, TENNESSEE

OFFICIALS

County Mayor	Kenneth Carey Jr.
Director of Finance	B. Nathan Brock
County Clerk	Jule Bryson
County Attorney	Randal Basten

BOARD OF COUNTY COMMISSIONERS

Terry Carter	Woody Geisler
Tim Clafin	Tom Isham
Jack Davis	Terry Lowe
Sandra B Dutcher	Sonya Rimmer
Elbert Farley	Henry Sabine
Allen Foster	Tracey Scarbrough
David Gibson	Rebecca Stone
David Hassler	Roy Turner
Nancy Hyder	Wendell Wilson

UNDERWRITER

Raymond James & Associates, Inc.

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Robertson Overbey
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

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

The Issuer .... Cumberland County, Tennessee (the "County" or "Issuer"). See APPENDIX B contained herein.

Securities Offered.......................... $4,285,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") of the County, dated the date of issuance August 12, 2016. The Bonds mature each June 1 beginning June 1, 2017 through June 1, 2028, inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information.

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

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

Optional Redemption .... The Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021. See the section entitled "SECURITIES OFFERED – Optional Redemption".

Tax Matters.................................... In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes and Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)

Bank Qualification........................ The Bonds will be treated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.

Rating... S&P: "AA-". See the section entitled "MISCELLANEOUS - Rating" for more information.

Financial Advisor .... Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS-Financial Advisor; Related parties; Other" herein.

Underwriter.................................... Raymond James & Associates, Inc.

Bond Counsel	Robertson Overbey, Knoxville, Tennessee.
Book-Entry Only	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry-Only System"
Registration Agent	Regions Bank, Nashville, Tennessee.
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See "SECURITIES OFFERED" herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."
Other Information	The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County or this *Official Statement*, contact Mr. Kenneth Carey, Jr., County Mayor, 2 North Main Street, Crossville, Tennessee 38555, telephone: 931-484-6165; or the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES
For the Fiscal Year Ended June 30

	2011	**2012**	**2013**	**2014**	**2015**
Beginning Fund Balance	$4,704,498	$6,077,753	$6,343,159	$7,317,109	$6,841,884
Revenues	19,202,507	20,068,370	21,833,364	21,360,013	22,329,230
Expenditures	17,834,122	19,802,964	20,859,414	21,696,789	24,226,618
Other Financing Sources:					
Transfers In	-	-	-	-	2,182
Transfers Out	-	-	-	(154,622)	(1,000,000)
Insurance Recovery	4,870	-	-	16,173	-
Net Change in Fund Balances	1,373,255	265,406	973,950	(475,225)	(2,895,206)
Ending Fund Balance	**$6,077,753**	**$6,343,159**	**$7,317,109**	**$6,841,884**	**$3,946,678**

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

$4,285,000
CUMBERLAND COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Cumberland County, Tennessee (the "County") of $4,285,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 et. seq., *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on June 20, 2016 (the "Resolutions").

The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Debt, as described in the "Refunding Plan" below; and (ii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The County is proposing to refinance the County's outstanding Loan Agreement dated September 1, 2008, funded by the issuance of bonds by The Public Building Authority of Sevier County, Tennessee of its Local Government Public Improvement Bonds, Series V-E-1 (Cumberland County), dated September 18, 2008 (the "Outstanding Bonds").

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

The Bonds are being issued to refund all or a portion of the Outstanding Debt. A portion of the proceeds of the Bonds will be deposited to a Refunding Escrow Agreement between the County and Regions Bank, Nashville, Tennessee (the "Escrow Agent"), and used to purchase United States Treasury obligations and / or such other obligations permitted under Tennessee law (the "Escrow Investments"). The Escrow Investments will be held in a separate fund established by the Escrow Agent with the principal amount of the Escrow Investments being sufficient to pay principal of and interest on the Outstanding Debt to their earliest redemption date following delivery of the Bonds. Neither the principal of nor the interest on the Escrow Investments will be available for payment of the Bonds. The Escrow Agent will give the paying agent for the Outstanding Debt irrevocable directions to redeem the Outstanding Debt on their earliest optional redemption date following delivery of the Bonds, which is June 1, 2018.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery August 12, 2016. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2016. The Bonds are issuable in book-entry-only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021 at a redemption price of par plus accrued interest.

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

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

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

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

DISPOSITION OF BOND PROCEEDS

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

(a) all accrued interest, if any, shall be deposited to the appropriate fund of the County to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;

(b) an amount, which together with investment earnings thereon and legally available funds an amount, which together with legally available funds of the County, if any, and investment earnings thereon, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Debt until and through the redemption date therefor shall be transferred to the Escrow Agent under the Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein or with respect to the Outstanding Debt to be held to the earliest optional redemption date; and

(c) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

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

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

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

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

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

General. Robertson Overbey, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"),
- 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 "Proposed Legislation and Other Matters" 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.

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") has given the Bonds the rating of "AA-".

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

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on July 18, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated July 8, 2016.

The successful bidder for the Bonds was an account led by Raymond James & Associates, Inc., (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $4,387,637.24 (consisting of the par amount of the Bonds, plus a reoffering premium of $127,918.50 less an underwriter's discount of $25,281.26 or 102.395268% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing captial needs that may or may not require the issuance of additional debt.

DEBT LIMITATIONS

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

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. In the past five years, the County has filed its Annual Reports at www.emma.msrb.org under the base CUSIP Number 230615 which is the base CUSIP Number for the County; however, the County inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the County was an obligated person. The County has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Number. While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by SEC Rule 15c2-2. With the exception of the foregoing, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12.

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

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

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-8 through B-9;

3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-10;

4. Information about the Bonded Debt Service Requirements – General School Debt Service Fund as of the end of such fiscal year as shown on page B-11;

5. The fund balances and retained earnings for the fiscal year as shown on page B-12;

6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-13;

7. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-19;

8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-20; and

9. The ten largest taxpayers as shown on page B-20.

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

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

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

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

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders, if material;

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

   i. Defeasances;

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

   k. Rating changes;

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

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

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

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

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

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

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

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

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

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CERTIFICATION OF THE COUNTY

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

/s/ Kenneth Carey Jr.
County Mayor

ATTEST:

/s/ Jule Bryson
County Clerk

APPENDIX A

LEGAL OPINION

August 12, 2016

Cumberland County, Tennessee
c/o County Mayor
2 North Main Street
Crossville, Tennessee 38555

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Cumberland County, Tennessee (the "Issuer") of $4,285,000 General Obligation Refunding Bonds, Series 2016, dated August 12, 2016 (the "Bonds"). In such capacity, 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 and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, 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 are valid and binding 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 to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the Issuer. To the extend any portion of the Bonds are used for school projects for the County that portion of the Bonds shall be additionally payable from and secured by funds it receives pursuant to Section 67-6-712(a)(2), Tennessee Code Annotated, as amended.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from a bondholder's gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax, and is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. 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. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no other 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 taxation 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 or 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 limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in 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 changes in law that may hereafter occur.

Yours very truly,

Robertson Overbey

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Cumberland County (the “County”) is located in the eastern central part of the State of Tennessee and is situated on the great Cumberland Plateau. The County is bordered by Overton and Fentress Counties to the north, Morgan and Roane Counties to the east, Bledsoe and Rhea Counties to the south, and Putnam, White and Van Buren Counties to the west. The City of Crossville (the “City”) is the county seat with Crab Orchard and Pleasant Hill as the other two incorporated cities in the County. Crossville is located approximately 120 miles east of Nashville, 75 miles west of Knoxville, and 89 miles northwest of Chattanooga.

GENERAL

Approximate land area of the County is 679 square miles. Crossville was designated a Micropolitan Statistical Area (the “mSA”) in 2004. An mSA is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents. The 2010 U.S. Census puts the County’s population at 56,053 and Crossville at 10,795.

The County government provides a normal array of public services characteristic of county governments in Tennessee including a county-wide educational system, highway construction and maintenance, judicial services and detention facilities, industrial recruitment and development and solid waste disposal.

TRANSPORTATION

Due to the County's central location there are numerous transportation facilities available to its residents. Highway transportation is provided by Interstate 40, U.S. Highways 70 and 127, and State Highways 68, 101, 282, 298 and 419. Over a dozen common carrier truck lines provide service to local business. Two interstate bus lines operate from Crossville to all major cities in the nation.

The general aviation airport, Crossville Memorial-Whitson Field, is owned and maintained by the City of Crossville. This facility has 5,418-foot paved, lighted runway for landing private aircraft. A new helicopter pad was added to the facility for added convenience. The airport is located less than 80 miles from Knoxville McGee-Tyson International Airport (TYS) and 100 miles from Nashville International Airport (BNA). The port city of Rockwood is also only 30 miles from Crossville.

EDUCATION

The *Cumberland County School System* includes twelve schools: one K-12 school, two high schools and nine elementary level schools. Student enrollment for fall 2014 was 7,482 with 474 teachers. There are also two private schools and Tennessee Technology Center at Crossville.

Source: Tennessee Department of Education.

Roane State Community College Cumberland County Campus. Roane State Community College, which began operation in 1971 in Harriman, Roane County, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2014 enrollment was about 5,832 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

Roane State's 104-acre main campus is centrally located in Roane County where a wide variety of programs are offered. Roane State has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in West Knoxville.

Source: Roane State Community College and TN Higher Education Commission.

The Tennessee Technology Center at Crossville. The Tennessee Technology Center at Crossville is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Crossville began operations in 1967, and the main campus is located in Cumberland County. Fall 2013 enrollment was 555 students.

Source: Tennessee Technology Center at Crossville and TN Higher Education Commission.

HEALTHCARE

Established in 1950, *Cumberland Medical Center* (the "CMC") is a not-for-profit regional medical center with 149 private patient rooms and 20 skilled nursing facility beds. Of those 149 rooms, 12 are ICU beds and 12 are Maternity Suites. Fully accredited by the Joint Commission, the acute care hospital offers all private patient rooms as well as specialized services not usually found in the rural medical system. The physicians on staff include anesthesiology, cardiology, emergency medicine, endocrinology, ENT, family medicine, general medicine, general surgery, geriatrics, gynecology, internal medicine, neurology, obstetrics, ophthalmology, oncology, oral surgery, orthopedics, pediatrics, pulmonology, radiology, radiation oncology, urology, and vascular surgery.

As of 2014, CMC merged with Covenant Health. As part of the merger, Covenant Health will invest $54 million in capital and other improvements over six years. Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. With headquarters located in nearby Knoxville, the system provides comprehensive services throughout East Tennessee. It is also the largest employer in the area. The organization is governed by a voluntary board of directors composed of community leaders and medical professionals.

Source: Cumberland Medical Center and Knoxville News Sentinel.

MANUFACTURING AND COMMERCE

Major Employers in Cumberland County

Company	Business Type	Number of Employees
Cumberland County	Government	1,050
Cumberland Medical Center	Healthcare	830
Fairfield Glade, Inc.	Resort Properties	650
Cumberland County Schools*	Education	507
Flowers Bakery, LLC	Bakery	480
CoLinks	Warehouse and Distribution	477
FICOSA	Bus and Truck Mirrors	423
Walmart	Retail	400
Lowe’s of Crossville	Retail	200
Avigen North America	Agri-business	180
Durable Products	Rubber Mechanical Goods	176
Wynridge Health & Rehab Center	Healthcare	175
Crossville Porcelain Stone/USA	Ceramic Tile	173
Dana Corporation	Warehouse and Distribution	153
Tap Publishing	Publishing Trade Journals	145
City of Crossville	Government	140
Country Place Health Care Center	Healthcare	125

** Only includes the number of Teachers and Administrators for the School System.*
Source: Department of Economic & Community Development and the County.

EMPLOYMENT

The unemployment rate for the Crossville mSA and Cumberland County as of February 2016 was 6.3% with 21,780 persons employed out of a labor force of 23,240. The chart below shows unemployment trends for the last five years.

Cumberland County Unemployment

	Annual Average **2011**	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
Crossville mSA & Cumberland County	**10.3%**	**9.0%**	**9.6%**	**8.0%**	**7.2%**
Index vs. National	116	111	130	129	136
Index vs. State	112	113	117	119	124

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

ECONOMIC DATA

Per Capita Personal Income

	2010	**2011**	**2012**	**2013**	**2014**
National	$40,277	$42,453	$44,266	$44,438	$46,049
Tennessee	$35,601	$37,323	$39,137	$39,312	$40,457
Crossville mSA & Cumberland County	**$28,994**	**$30,074**	**$31,179**	**$31,940**	**$33,039**
Index vs. National	72	71	70	72	72
Index vs. State	81	81	80	81	82

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

PARKS AND RECREATION

Catoosa Wildlife Management Area. The Catoosa WMA is located in Cumberland and Morgan Counties and consists of about 79,740 acres. Catoosa is also bordered by Obed Wild & Scenic River to the north, a national scenic river recognized for its rugged beauty. For management purposes Catoosa is divided into two sections Genesis (west side) and Bicolor (east side). Daddy's Creek is the dividing line for the two sections. Catoosa was purchased in the 1940's and is managed by the Tennessee Wildlife Resources Agency. Catoosa Wildlife Management Area is one of a few WMA's in Tennessee that has implemented a quality deer management program of sorts with restrictions on antler size as well as food plots, and opportunities to harvest antlerless deer.

Source: Tennessee Wildlife Resources Agency.

The Cumberland County Playhouse. The auditorium has a capacity of 500 and opened in July 1965. Construction of a 25,000 square foot expansion to the facility has added shop and rehearsal facilities, a "black box" second theater, offices, studios and audience service areas. Its attendance has passed 150,000 annually as it draws heavily from Nashville, Knoxville and Chattanooga.

Cumberland Mountain State Park. Cumberland Mountain State Park, in Cumberland County, is situated on the Cumberland Plateau, a segment of the great upland, which extends from western New York to central Alabama. It is said to be the largest timbered plateau in America. This 1,720-acre park was acquired in 1938 as a project of the Farm Security Administration to provide a recreational area for some 250 families selected to homestead on the Cumberland Plateau. The Homestead Museum, located one mile from the park, depicts the Cumberland Homestead Community of the 1930's. The park offers for rent paddleboats, canoes and row boats for use on Byrd Lake and has a meeting center and restaurant. Cabins, campsites, hiking, fishing and picnic facilities are also offered. Over 1.5 million people visited it in 2010.

Source: Tennessee State Parks.

Cumberland Trail State Park. The Cumberland Trail is the state's only linear park. It opened in 1998 and upon completion around 2016 will be 300 miles long, cutting through 11 Tennessee counties from the Cumberland Gap National Historic Park on the Tennessee-Virginia-Kentucky border, to the Signal Point near Chattanooga. Currently 196 miles are open and ready for exploration. The trail is divided into 15 segments. It can be accessed in Cumberland County through the Ozone Falls State Natural Area. The Cumberland Trail wanders among the remnants of the Cumberland Mountains that once rose as high as the Rockies. The trail represented a barrier to all who dared push through storied gaps westward onto and over the Cumberland Plateau. It now provides a linkage north to south, forming natural connections and opportunities for scenic vistas and curious geological formations.

Source: Tennessee State Parks.

Golf. Cumberland County is also the site of several highly regarded recreation and resort facilities. With a dozen golf courses, Crossville is "The GOLF Capital of Tennessee!" The area is home to Tennessee's famous vacation and retirement resort, Fairfield Glade, which boasts 90 holes of golf in just their area alone; home to the first site of Jack Nicklaus' Bear Trace at Cumberland Mountain State Park; home to Tennessee's highest elevation golf course at Renegade Mountain; and home to a total of eleven championship golf courses. In all, there are over 200 holes atop the Cumberland Plateau.

Fairfield Glade. Only seven miles off Interstate 40 is a comprehensively planned retirement/recreation community located on the Cumberland Plateau in Cumberland County. The Glade encompasses more than 12,700 acres. Since 1970, the developer, the Fairfield Communities Land Company, has invested approximately $30,000,000 in housing, roads, utilities, land, and various other recreational facilities. In May 1970, the 450 residents, property owners, and the developer formed the Fairfield Glade Community Club, a non-profit corporation. The purpose of the Community Club was to provide maintenance and operation of the common property including streets, sewer, golf courses, playgrounds, parks, country club, civic center, arts and crafts center and marina. Fairfield is Tennessee's only "Mobil four-star resort." The Fairfield Glade community has over 4,000 year-round residents and employees. More than 100,000 people visit Fairfield Glade each year.

Source: Fairfield Glade.

Ficosa North America. In 2015 Ficosa announced that it was building a new state-of-the-art facility in Cookeville and transfer the existing jobs in Crossville to the new Cookeville facility. The automotive supplier will invest $58 million in the Putnam County facility and create 550 jobs. The facility should be completed in 2016. Ficosa's produces mirror assemblies for Nissan, Ford, Volkswagen, Fiat Chrysler, General Motors and other auto manufacturers.

Lake Tanasi Village. The 5,000 acre resort is quite well known throughout the south. It has the largest private lake in the south, with more than 550 acres of fish stocked waters and fourteen miles of shoreline, offering a full array of sports and activities for the entire family. Facilities include a private 3,600 foot landing strip and an 18-hole golf course. Restaurant and accommodations for 250 people are provided. Also, the Cumberland Mountain State Park provides recreational facilities and overnight accommodations.

Source: Lake Tanasi Village.

Ozone Falls State Natural Area. Ozone Falls is a 43-acre natural area in Cumberland County. It receives heavy visitation because of its close proximity to Interstate 40. Ozone Falls plunges 110 feet over a sandstone cap rock into a deep blue, rock-strewn pool. Fall Creek then disappears underground until it re-emerges several feet downstream. An impressive rock house “amphitheater” can be seen behind the falls that was created over geologic time by wind, water, freeze/thaw, and erosion. Because of its picturesque beauty and easy access, Ozone Falls was selected for filming scenes for the movie “Jungle Book.” The Cumberland Trail State Park, the state’s only linear park, can be accessed from Ozone Falls.

Source: Tennessee Division of Natural Areas.

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CUMBERLAND COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE		DUE DATE		INTEREST RATE(S)		(1) As of 6-30-2016 OUTSTANDING
$1,750,000 Local Gov. Public Imp. Bonds, Series B-13-A (Taxable)		Jun 2023		Fixed	(4)	$ 1,200,000
$10,365,000 Local Gov. Public Imp. Bonds, Series V-E-1		Jun 2028		Fixed		5,530,000
$28,300,000 Local Gov. Public Imp. Bonds, Series VII-B-2	(2)	Jun 2039	(3)	Variable / Synthetic Fixed	(4)	26,225,000
$750,000 Local Gov. Public Imp. Bonds, Series B-20-A		Jun 2027		Fixed		750,000
$484,996 Loan Agreement, Series 180-003 (2010)		July 2021		Zero		242,476
$20,615,000 Local Gov. Public Imp. Bonds, Series E-3-A	(2)	Jun 2027	(3)	Variable / Synthetic Fixed	(4)	14,195,000
$5,100,000 Local Gov. Public Imp. Bonds, Series VII-F-1	(2)	Jun 2031	(3)	Variable	(4)	5,100,000
TOTAL BONDED DEBT						**$ 53,242,476**
General Obligation Refunding Bonds, Series 2016		Jun 2028		Fixed		$ 4,285,000
Less: Loan being refinanced (V-E-1)						(4,005,000)
NET BONDED DEBT						**$ 53,522,476**

PURPOSE	DUE DATE	INTEREST RATE(S)	(1) OUTSTANDING
$500,000 EESI Loan Agreement, Series 2011	June 2018	Zero	$ 142,880
$3,000,000 EESI Loan Agreement, Series 2011	June 2023	Fixed	1,847,460
TOTAL BONDED DEBT - General Purpose School Fund			$ 1,990,340

NOTES:

(1) For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein. Excludes Energy Efficiency Loans payable through General Purpose School Fund.

(2) The County budgets to account for interest rate and/or basis risk.

(3) The County has entered into interest rate swap agreements on the Series IV-F-2 Bonds, the Series IV-H-2 Bonds and the Series VI-C-2 Bonds. The Series E-3-A refinanced the Series IV-F-2 and Series IV-H-2 Bonds but the interest rate swap agreements were not terminated. The Series VII-B-2 Bonds refinanced the Series VI-C-2 Bonds but the interest rate swap agreement was not terminated. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(4) Sales tax supported debt in addition to the ad valorem tax.

CUMBERLAND COUNTY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS, including those for the most recent period which are attached herein. This table should be read in conjunction with those statements.

	For Fiscal Year Ended June 30				Unaudited	After Issuance
INDEBTEDNESS	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**
TAX SUPPORTED						
General Obligation Bonds & Notes	$ 63,100,826	$ 62,489,640	$ 55,512,816	$ 57,484,856	$ 53,242,476	$ 53,522,476
TOTAL TAX SUPPORTED	$ 63,100,826	$ 62,489,640	$ 55,512,816	$ 57,484,856	$ 53,242,476	$ 53,522,476
TOTAL DEBT	$ 63,100,826	$ 62,489,640	$ 55,512,816	$ 57,484,856	$ 53,242,476	$ 53,522,476
Less: Revenue Supported Debt	$ -	$ -	$ -	$ -	$ -	$ -
Less: Debt Service Fund	(10,063,159)	(9,379,604)	(10,123,228)	(10,315,419)	(10,315,419)	(10,315,419)
NET DIRECT DEBT	$ 53,037,667	$ 53,110,036	$ 45,389,588	$ 47,169,437	$ 42,927,057	$ 43,207,057

PROPERTY TAX BASE (1)						
Estimated Actual Value	$ 5,255,850,403	$ 5,046,049,022	$ 5,116,191,668	$ 5,194,503,837	$ 5,268,803,978	$ 5,268,803,978
Appraised Value	5,255,850,403	5,046,049,022	5,116,191,668	5,194,503,837	5,268,803,978	5,268,803,978
Assessed Value	1,437,466,128	1,395,896,370	1,415,708,880	1,437,780,606	1,459,650,417	1,459,650,417

(1) Source: Tax Aggregate Report of Tennessee.

	For Fiscal Year Ended June 30				Unaudited	Issuance
DEBT RATIOS	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**
TOTAL DEBT to Estimated Actual Value	1.20%	1.24%	1.09%	1.11%	1.01%	1.02%
TOTAL DEBT to Appraised Value	1.20%	1.24%	1.09%	1.11%	1.01%	1.02%
TOTAL DEBT to Assessed Value	4.39%	4.48%	3.92%	4.00%	3.65%	3.67%
NET DIRECT DEBT to Estimated Actual Value	1.01%	1.05%	0.89%	0.91%	0.81%	0.82%
NET DIRECT DEBT to Appraised Value	1.01%	1.05%	0.89%	0.91%	0.81%	0.82%
NET DIRECT DEBT to Assessed Value	3.69%	3.80%	3.21%	3.28%	2.94%	2.96%
PER CAPITA RATIOS						
POPULATION (1)	57,002	57,466	57,985	58,229	58,229	58,229
PER CAPITA PERSONAL INCOME (2)	$31,179	$31,940	$33,039	$33,039	$33,039	$33,039
Estimated Actual Value to POPULATION	$92,205	$87,809	$88,233	$89,208	$90,484	$90,484
Assessed Value to POPULATION	$25,218	$24,291	$24,415	$24,692	$25,067	$25,067
Total Debt to POPULATION	$1,107	$1,087	$957	$987	$914	$919
Net Direct Debt to POPULATION	$930	$924	$783	$810	$737	$742
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.55%	3.40%	2.90%	2.99%	2.77%	2.78%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.98%	2.89%	2.37%	2.45%	2.23%	2.25%

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

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

CUMBERLAND COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended 6/30	Existing Debt as of June 30, 2016 (1) Principal	Interest (2)	TOTAL	Less: Bonds Being Refunded Principal	Interest	TOTAL	General Obligation Refunding Bonds, Series 2016 Principal	Interest (3)	TOTAL	% Principal Repaid	Total Bonded Debt Service Requirements (1) and (2) Principal	Interest	TOTAL	% Principal Repaid
2017	$ 1,998,504	$ 2,629,725	$ 4,628,229	$ -	$ -	$ -	$ 75,000	$ 68,798	$ 143,798	1.75%	$ 2,073,504	$ 2,698,523	$ 4,772,027	3.87%
2018	2,103,504	2,538,913	4,642,417	-	-	-	55,000	84,200	139,200		2,158,504	2,623,113	4,781,617	
2019	2,233,504	2,442,863	4,676,367	(325,000)	(185,800)	(510,800)	380,000	83,100	463,100		2,288,504	2,340,163	4,628,667	
2020	2,313,504	2,333,738	4,647,242	(340,000)	(171,175)	(511,175)	385,000	75,500	460,500		2,358,504	2,238,063	4,596,567	
2021	2,243,460	2,220,688	4,464,148	(355,000)	(155,875)	(510,875)	395,000	67,800	462,800		2,283,460	2,132,613	4,416,073	
2022	2,270,000	2,110,713	4,380,713	(370,000)	(139,900)	(509,900)	400,000	59,900	459,900	39.44%	2,300,000	2,030,713	4,330,713	25.15%
2023	2,495,000	1,997,063	4,492,063	(385,000)	(123,250)	(508,250)	410,000	51,900	461,900		2,520,000	1,925,713	4,445,713	
2024	2,520,000	1,871,988	4,391,988	(405,000)	(105,925)	(510,925)	420,000	43,700	463,700		2,535,000	1,809,763	4,344,763	
2025	2,645,000	1,747,000	4,392,000	(425,000)	(86,688)	(511,688)	430,000	35,300	465,300		2,650,000	1,695,613	4,345,613	
2026	2,780,000	1,615,813	4,395,813	(445,000)	(66,500)	(511,500)	435,000	26,700	461,700		2,770,000	1,576,013	4,346,013	
2027	2,935,000	1,477,925	4,412,925	(465,000)	(45,363)	(510,363)	445,000	18,000	463,000	89.38%	2,915,000	1,450,563	4,365,563	50.17%
2028	2,730,000	1,334,025	4,064,025	(490,000)	(23,275)	(513,275)	455,000	9,100	464,100	100.00%	2,695,000	1,319,850	4,014,850	
2029	2,355,000	1,198,750	3,553,750	-	-	-	-	-	-		2,355,000	1,198,750	3,553,750	
2030	2,470,000	1,081,000	3,551,000	-	-	-	-	-	-		2,470,000	1,081,000	3,551,000	
2031	2,545,000	957,500	3,502,500	-	-	-	-	-	-		2,545,000	957,500	3,502,500	
2032	2,620,000	830,250	3,450,250	-	-	-	-	-	-		2,620,000	830,250	3,450,250	73.87%
2033	1,755,000	699,250	2,454,250	-	-	-	-	-	-		1,755,000	699,250	2,454,250	
2034	1,805,000	611,500	2,416,500	-	-	-	-	-	-		1,805,000	611,500	2,416,500	
2035	1,880,000	521,250	2,401,250	-	-	-	-	-	-		1,880,000	521,250	2,401,250	
2036	1,980,000	427,250	2,407,250	-	-	-	-	-	-		1,980,000	427,250	2,407,250	
2037	2,080,000	328,250	2,408,250	-	-	-	-	-	-		2,080,000	328,250	2,408,250	91.62%
2038	2,205,000	224,250	2,429,250	-	-	-	-	-	-		2,205,000	224,250	2,429,250	
2039	2,280,000	114,000	2,394,000	-	-	-	-	-	-		2,280,000	114,000	2,394,000	100.00%
	$ 53,242,476	$ 31,313,701	$ 84,556,177	$ (4,005,000)	$ (1,103,750)	$ (5,108,750)	$ 4,285,000	$ 623,998	$ 4,908,998		$ 53,522,476	$ 30,833,949	$ 84,356,425	

NOTES:

(1) The County has entered into interest rate swap agreements on the Series IV-F-2 Bonds, the Series IV-H-2 Bonds and the Series VI-C-2 Bonds. The Series E-3-A refinanced the Series IV-F-2 and Series IV-H-2 Bonds but the interest rate swap agreements were not terminated. The Series VII-B-2 Bonds refinanced the Series VI-C-2 Bonds but the interest rate swap agreement was not terminated. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein. Excludes Energy Efficiency Loans payable through General Purpose School Fund.

(2) The County budgets to account for interest rate and/or basis risk.

CUMBERLAND COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Payable by General Purpose School Funds

As of June 30, 2016

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% Principal Repaid
2017	$ 319,668	$ 46,187	$ 365,855	16.06%
2018	325,976	39,980	365,956	32.44%
2019	260,952	33,617	294,569	45.55%
2020	267,552	27,094	294,646	58.99%
2021	274,320	20,405	294,725	72.77%
2022	281,256	13,547	294,803	86.91%
2023	260,616	6,515	267,131	100.00%
	$ 1,990,340	$ 187,345	$ 2,177,685	

NOTES:

(1) Energy Efficiency Loans payable through General Purpose School Fund. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

FINANCIAL INFORMATION

INTRODUCTION

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

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The County maintains fund balances, net assets or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the County.

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

	For the Fiscal Year Ended June 30				
Fund Type	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental Funds:					
General	$ 6,077,753	$ 6,343,159	$ 7,317,109	$ 6,841,884	$ 3,946,678
Solid Waste	509,894	1,365,615	1,585,445	852,909	578,134
General Debt Service	11,006,262	10,063,159	9,379,604	10,123,228	10,315,419
Other Governmental	1,575,147	1,661,210	1,108,057	1,209,679	2,311,576
Total	**$19,169,056**	**$19,433,143**	**$19,390,215**	**$19,027,700**	**$17,151,807**

Source: Comprehensive Annual Financial Reports and Special Financial Reports of Cumberland County, Tennessee.

CUMBERLAND COUNTY, TENNESSEE

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

	2011	2012	2013	2014	2015
Revenues:					
Local Taxes	$10,374,264	$10,548,364	$10,800,231	$10,702,158	$10,897,167
Licenses and Permits	219,467	231,035	244,181	259,132	310,975
Fines, forfeitures and penalties	186,839	186,948	245,027	225,655	209,904
Charges for current services	2,791,204	2,411,462	3,184,107	2,574,482	3,422,600
Other local revenue	183,057	136,419	270,830	146,583	222,318
Fees Recv'd from County Officials	2,315,163	2,364,167	2,574,532	2,445,865	2,482,025
State of Tennessee	2,297,134	3,087,164	3,571,355	4,102,738	3,536,619
Federal Government	184,055	538,549	336,770	245,227	285,267
Other Governments & Citizens Groups	651,324	564,262	606,331	658,173	962,355
Total Revenues	$19,202,507	$20,068,370	$21,833,364	$21,360,013	$22,329,230
Expenditures:					
General Government	$ 1,895,129	$ 2,086,178	$ 2,725,146	$ 3,114,431	$ 2,581,210
Finance	1,707,018	1,842,684	1,796,078	1,892,110	1,964,470
Administration of Justice	1,710,160	1,851,245	1,960,976	1,887,138	1,829,230
Public Safety	7,076,091	7,983,814	8,353,756	8,361,934	10,927,467
Public Health & Welfare	3,462,048	4,009,014	4,103,929	4,527,323	4,571,037
Social, Cultural, & Recreational	747,391	735,236	880,203	896,355	913,196
Agricultural & Natural Resources	146,805	156,231	160,056	169,357	167,628
Other Operations	1,089,480	1,138,562	879,270	848,141	1,272,380
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Expenditures	$17,834,122	$19,802,964	$20,859,414	$21,696,789	$24,226,618
Excess (Deficiency) of Revenues					
Over Expenditures	$ 1,368,385	$ 265,406	$ 973,950	$ (336,776)	$(1,897,388)
Other Sources:					
Note / Loan Proceeds	$ -	$ -	$ -	$ -	$ -
Insurance Recovery	4,870	-	-	16,173	-
Operating Transfers - In	-	-	-	-	2,182
Operating Transfers - Out	-	-	-	(154,622)	(1,000,000)
Total Expenditures and Other uses	$ 4,870	$ -	$ -	$ (138,449)	$ (997,818)
Net Change in Fund Balances	$ 1,373,255	$ 265,406	$ 973,950	$ (475,225)	$(2,895,206)
Fund Balance July 1	$ 4,704,498	$ 6,077,753	$ 6,343,159	$ 7,317,109	$ 6,841,884
Residual Equity Transfers	-	-	-	-	-
Fund Balance June 30	**$ 6,077,753**	**$ 6,343,159**	**$ 7,317,109**	**$ 6,841,884**	**$ 3,946,678**

Sources: Comprehensive Annual Financial Report for the County.

BASIS OF ACCOUNTING AND PRESENTATION

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, (2) principal and interest on general long-term debt which is recognized when due, and (3) inventory purchases which are not recognized until the inventory item has been used.

BUDGETARY PROCESS

Introduction. All operating departments of the County are required to submit line-item budgets to the County Executive on or before April 1 of each year or on such date as may be prescribed by the County Board of Commissioners. The Board of Commissioners reviews departmental budgets compiled by the County Executive and submitted by the various departments. Normally, a budget is adopted in June or July for the fiscal year which begins on July 1. The Board of Commissioners has the authority to amend, reduce or add to the budget submitted by County operating departments; however, there is no authority to make transfers among the major funds. The Board of Commissioners may make amendments within funds during the year; however, amendments to the school system operating budget must first be approved by the elected County School Board.

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;

(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;

(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

(d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

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

(a) Public Utility Property, to be assessed at 55% of its value;

(b) Industrial and Commercial Property, to be assessed at 30% of its value; and

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

Assessed Valuations. According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00.

Class	**Assessed Valuation**	**Rate**	**Appraised Value**
Public Utilities	$ 54,803,415	55%	$ 125,551,621
Commercial and Industrial	279,880,320	40%	699,700,800
Personal Tangible	84,472,757	30%	281,757,854
Residential and Farm	1,040,493,925	25%	4,161,975,700
Total	**$1,459,650,417**		**$5,268,803,978**

Source: 2015 Tax Aggregate Report of Tennessee and the County.

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

The estimated assessed value of property in the County for the fiscal year ending June 30, 2016 (tax year 2015) is $1,459,650,417 compared to $1,437,780,606 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is $5,268,803,978 compared to $5,194,503,837 for tax year 2014.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30.[1]

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year[1]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**as of June 30, 2015 Amount**	**Pct**
2011	$1,437,466,128	$1.425	$20,485,207	$20,078,241	98.0%	N/A	
2012	1,345,506,640	1.4975	20,925,569	20,564,119	98.3%	N/A	
2013	1,415,708,880	1.4975	21,179,048	20,307,001	95.9%	N/A	
2014	1,437,780,606	1.4975	21,530,113	20,665,337	96.0%	$864,776	4.0%
2015	1,459,650,417	1.5275	22,293,679	**In Process**			

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

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

	Taxpayer	Business Type	Assessed Value	Taxes
1.	Volunteer Electric Co	Public Utility	$27,691,011	$ 414,672
2.	Stonepeak Ceramics Inc	Ceramic Tile Mfg.	17,549,284	262,800
3.	Citizens Communications	Public Utility	11,508,484	172,338
4.	Crossville Ceramics	Ceramic Tile Mfg.	7,494,767	112,235
5.	Flowers Baking Co	Bakery	5,553,353	83,869
8.	Evangelical Lutheran Good Samaritan	Retirement	5,400,240	80,869
7.	Charleston Plantation	Real Estate	5,313,520	79,570
9.	Wal-Mart	Real Estate	4,440,960	66,603
10.	Sequatchie Llc	Real Estate	4,367,675	65,406
6.	Volunteer First Services		3,816,134	57,146
	TOTAL		**$93,135,428**	**$1,395,508**

Source: The County.

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PENSION PLANS

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

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement 45 establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits ("OPEB") in the financial reports of state and local government employers. Cumberland County and the Cumberland County School Department participate in the state- administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are an agent multiple-employer defined benefit OPEB plans.

For additional information, please see the Notes to the Financial Statements of the County's Comprehensive Annual Financial Report.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

CUMBERLAND COUNTY, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Cumberland County for the fiscal year ended June 30, 2015 which is available upon request from the County.

ANNUAL FINANCIAL REPORT

CUMBERLAND COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015

TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

CUMBERLAND COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

STEVE REEDER, CPA, CGFM, CFE
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY RAMSEY, CPA
DOUG SANDIDGE, CISA, CFE
State Auditors

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

CUMBERLAND COUNTY, TENNESSEE
TABLE OF CONTENTS

Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF SHERIFF

- The Sheriff's Department had a cash shortage of $1,402.

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER OF DEEDS

- Multiple employees operated from the same cash drawer.

INTRODUCTORY SECTION

Cumberland County Officials
June 30, 2015

Officials

Kenneth Carey, Jr., County Mayor
Scott Blaylock, Road Superintendent
Donald Andrews, Director of Schools
Kim Wyatt, Trustee
David Simcox, Assessor of Property
Jule Bryson, County Clerk
Larry Sherrill, Circuit and General Sessions Courts Clerk
Sue Tollett, Clerk and Master
Judy Graham Swallows, Register of Deeds
Casey Cox, Sheriff
Nathan Brock, Finance Director

Board of County Commissioners

Kenneth Carey, Jr., County Mayor, Chairman
Terry Carter
Tim Claflin
Jack Davis
Jeff Dyer
Elbert Farley
Allen Foster
Woody Geisler
David Gibson
David Hassler
Nancy Hyder
Tom Isham
John Kinnunen
Terry Lowe
Sonya Rimmer
Tracey Scarbrough
Rebecca Stone
Roy Turner
Wendell Wilson

Board of Education

Daniel Schlafer, Chairman
James Blalock
David Bowman
Jeff Freitag
Don Hassler
Vivian Hutson
Richard Janeway
Shirley French Parris
Josh Stone

Cumberland County Railroad Authority Board of Directors

Kenneth Carey, Jr., County Mayor, Chairman
Terry Carter
Larry Allen

Cumberland County Officials (Cont.)

Financial Management Committee

Kenneth Carey, Jr., County Mayor, Chairman
Scott Blaylock, Road Superintendent
Donald Andrews, Director of Schools
Jack Davis
David Hassler
Nancy Hyder
Wendell Wilson

Audit Committee

Sonya Rimmer, Chairman
Glenn Harper
Dennis Hinch
Tracey Scarbrough
Wendell Wilson

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

Cumberland County Mayor and
Board of County Commissioners
Cumberland 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 Cumberland 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 Cumberland County, Tennessee, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General and Solid Waste/Sanitation 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., Cumberland 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.9. to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by $609,505 and the discretely presented Cumberland County School Department's net position by $8,590,819 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress – other postemployment benefits plans on pages 85 - 91 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 Cumberland County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Cumberland County School Department and the Cumberland County Railroad Authority (discretely presented component units), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Cumberland County School Department and the Cumberland County Railroad Authority (discretely presented component units), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Cumberland County School Department and the Cumberland County Railroad Authority (discretely presented component units), 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 December 3, 2015, on our consideration of Cumberland 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 Cumberland County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 3, 2015

JPW/yu

Basic Financial Statements

Exhibit A

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

	Primary Government: Governmental Activities	Component Units: Cumberland County School Department	Component Units: Cumberland County Railroad Authority
ASSETS			
Cash	$ 36,426	$ 296	$ 0
Equity in Pooled Cash and Investments	17,813,712	3,639,286	48,180
Inventories	0	146,522	0
Accounts Receivable	1,544,620	5,579	0
Allowance for Uncollectibles	(220,302)	1,952,706	0
Due from Other Governments	1,621,749	0	0
Due from Component Units	2,303,876	0	0
Property Taxes Receivable	14,901,078	9,613,745	0
Allowance for Uncollectible Property Taxes	(538,892)	(364,817)	0
Net Pension Asset - Agent Plan	1,327,426	1,600,289	0
Net Pension Asset - Cost-sharing Plan	0	102,082	0
Capital Assets			
Assets Not Depreciated:			
Land	2,133,553	2,088,454	0
Construction in Progress	1,495,038	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	29,512,793	57,042,664	0
Infrastructure	20,790,229	720,571	0
Other Capital Assets	4,251,841	2,772,477	0
Total Assets	$ 96,973,147	$ 79,319,854	$ 48,180
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 3,783,754	$ 0	$ 0
Pension Changes in Experience	0	247,830	0
Pension Changes in Contributions after Measurement Date	1,086,036	2,880,448	0
Pension Other Deferrals	0	250,737	0
Total Deferred Inflows of Resources	$ 4,869,790	$ 3,379,015	$ 0

(Continued)

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

	Primary Government	Component Units	
	Governmental Activities	Cumberland County School Department	Cumberland County Railroad Authority
LIABILITIES			
Accounts Payable	$ 2,409,610	$ 102,795	$ 0
Accrued Payroll	0	61,266	0
Accrued Interest Payable	70,046	0	0
Payroll Deductions Payable	0	72,584	0
Due to Primary Government	0	2,303,876	0
Matured Bonds Payable	30,000	0	0
Matured Interest on Bonds	8,058	0	0
Derivative - Interest Rate Swap	3,783,754	0	0
Noncurrent Liabilities:			
Due Within One Year	2,939,711	3,606	0
Due in More Than One Year	56,735,671	5,732,097	0
Total Liabilities	$ 65,976,850	$ 8,276,224	$ 0
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Current Property Taxes	$ 14,107,903	$ 9,066,777	$ 0
Pension Changes in Experience	358,015	431,608	0
Pension Changes in Investment Earnings	1,510,228	10,231,581	0
Total Deferred Inflows of Resources	$ 15,976,146	$ 19,729,966	$ 0
NET POSITION			
Net Investment in Capital Assets	$ 44,624,427	$ 62,624,166	$ 0
Restricted for:			
General Government	593,255	0	0
Finance	5,514	0	0
Administration of Justice	136,320	0	0
Public Safety	268,350	0	0
Public Health and Welfare	60,285	0	0
Highways	1,084,598	0	0
Education	0	2,650,787	0
Debt Service	10,474,766	0	0
Capital Outlay	1,084,868	0	0
Other Purposes	1,327,426	0	0
Unrestricted	(39,769,868)	(10,582,274)	48,180
Total Net Position	$ 19,889,941	$ 54,692,679	$ 48,180

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

Exhibit B

Cumberland 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	Total Governmental Activities	Cumberland County School Department	Cumberland County Railroad Authority
Primary Government:							
Governmental Activities:							
General Government	$ 3,048,861	$ 591,759	$ 154,512	$ 0	$ (2,302,590)	$ 0	$ 0
Finance	1,928,911	1,256,528	17,000	0	(655,383)	0	0
Administration of Justice	1,723,699	1,089,440	47,645	0	(586,614)	0	0
Public Safety	10,861,643	1,867,667	196,418	0	(8,797,558)	0	0
Public Health and Welfare	7,050,483	3,748,319	908,122	217,885	(2,176,157)	0	0
Social, Cultural, and Recreational Services	1,122,233	69,452	147,330	2,059	(903,392)	0	0
Agriculture and Natural Resources	176,454	0	9,037	0	(167,417)	0	0
Highways	3,222,481	0	2,240,267	557,703	(424,511)	0	0
Education - Contributions	228,821	0	0	0	(228,821)	0	0
Interest on Long-term Debt	1,448,189	0	0	0	(1,448,189)	0	0
Total Primary Government	$ 30,811,775	$ 8,623,165	$ 3,720,331	$ 777,647	$ (17,690,632)	$ 0	$ 0
Component Units:							
School Department	$ 58,652,097	$ 1,017,999	$ 7,211,909	$ 0	$ 0	$ (50,422,189)	$ 0
Railroad Authority	20	0	0	0	0	0	(20)
Total Component Units	$ 58,652,117	$ 1,017,999	$ 7,211,909	$ 0	$ 0	$ (50,422,189)	$ (20)

(Continued)

Exhibit B

Cumberland County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Total Governmental Activities	Component Units: Cumberland County School Department	Component Units: Cumberland County Railroad Authority
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					$ 9,715,598	$ 8,955,519	$ 0
Property Taxes Levied for Debt Service					2,794,099	0	0
Local Option Sales Taxes					2,556,764	8,246,608	0
Hotel/Motel Tax					765,302	0	0
Litigation Taxes					437,109	0	0
Business Tax					758,808	0	0
Wholesale Beer Tax					372,114	0	0
Mixed Drink Tax					23,464	137,558	0
Mineral Severance Tax					71,768	0	0
Other Local Taxes					9,707	9,124	0
Grants and Contributions Not Restricted to Specific Programs					1,768,366	31,723,905	0
Unrestricted Investment Earnings					46,078	1,164	0
Miscellaneous					35,949	402,808	0
Pension Income					68,688	128,566	0
Total General Revenues					$ 19,423,814	$ 49,605,252	$ 0
Insurance Recovery					$ 2,182	$ 0	$ 0
Change in Net Position					$ 1,735,364	$ (816,937)	$ (20)
Net Position, July 1, 2014					18,764,082	64,100,435	48,200
Restatement - Pension Liability (See Note I.D.9)					(609,505)	(8,590,819)	0
Net Position, June 30, 2015					$ 19,889,941	$ 54,692,679	$ 48,180

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

Exhibit C-1

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

	Major Funds: General	Major Funds: Solid Waste / Sanitation	Major Funds: General Debt Service	Nonmajor Funds: Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 200	$ 200	$ 0	$ 36,026	$ 36,426
Equity in Pooled Cash and Investments	5,038,998	575,186	10,165,711	2,026,317	17,806,212
Accounts Receivable	1,528,872	0	0	15,748	1,544,620
Allowance for Uncollectibles	(220,302)	0	0	0	(220,302)
Due from Other Governments	764,524	0	360,328	496,897	1,621,749
Due from Other Funds	59,274	0	0	0	59,274
Property Taxes Receivable	10,171,115	1,730,474	2,999,489	0	14,901,078
Allowance for Uncollectible Property Taxes	(359,401)	(65,668)	(113,823)	0	(538,892)
Total Assets	$ 16,983,280	$ 2,240,192	$ 13,411,705	$ 2,574,988	$ 35,210,165
LIABILITIES					
Accounts Payable	$ 2,407,972	$ 1,638	$ 0	$ 0	$ 2,409,610
Due to Other Funds	0	0	0	51,774	51,774
Matured Bonds Payable	0	0	30,000	0	30,000
Matured Interest on Bonds	0	0	8,058	0	8,058
Total Liabilities	$ 2,407,972	$ 1,638	$ 38,058	$ 51,774	$ 2,499,442
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 9,647,049	$ 1,632,019	$ 2,828,835	$ 0	$ 14,107,903
Deferred Delinquent Property Taxes	142,637	28,401	49,229	0	220,267
Other Deferred/Unavailable Revenue	838,944	0	180,164	211,638	1,230,746
Total Deferred Inflows of Resources	$ 10,628,630	$ 1,660,420	$ 3,058,228	$ 211,638	$ 15,558,916

(Continued)

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

	Major Funds			Nonmajor Funds	
	General	Solid Waste / Sanitation	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES					
Restricted:					
Restricted for General Government	$ 412,870	$ 0	$ 0	$ 180,385	$ 593,255
Restricted for Finance	5,514	0	0	0	5,514
Restricted for Administration of Justice	136,320	0	0	0	136,320
Restricted for Public Safety	72,803	0	0	195,547	268,350
Restricted for Public Health and Welfare	60,285	0	0	0	60,285
Restricted for Highways/Public Works	0	0	0	908,925	908,925
Restricted for Capital Outlay	58,149	0	0	0	58,149
Restricted for Debt Service	0	0	10,315,419	0	10,315,419
Restricted for Capital Projects	0	0	0	1,026,719	1,026,719
Committed:					
Committed for Public Health and Welfare	0	578,134	0	0	578,134
Committed for Other Purposes	30,586	0	0	0	30,586
Unassigned	3,170,151	0	0	0	3,170,151
Total Fund Balances	$ 3,946,678	$ 578,134	$ 10,315,419	$ 2,311,576	$ 17,151,807
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 16,983,280	$ 2,240,192	$ 13,411,705	$ 2,574,988	$ 35,210,165

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

Exhibit C-2

Cumberland 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)		$ 17,151,807
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 2,133,553	
Add: construction in progress	1,495,038	
Add: buildings and improvements net of accumulated depreciation	29,512,793	
Add: infrastructure net of accumulated depreciation	20,790,229	
Add: other capital assets net of accumulated depreciation	4,251,841	58,183,454
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	$ (57,484,856)	
Less: compensated absences payable	(945,176)	
Less: landfill postclosure care costs	(714,071)	
Less: other postemployment benefits liability	(527,502)	
Less: accrued interest on other loans	(70,046)	
Less: other deferred revenue - premium on debt	(3,777)	
Add: debt to be contributed by the School Department	2,303,876	(57,441,552)
(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	$ 1,086,036	
Less: deferred inflows of resources related to pensions	(1,868,243)	(782,207)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		1,327,426
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		1,451,013
Net position of governmental activities (Exhibit A)		$ 19,889,941

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

Exhibit C-3

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

	Major Funds			Nonmajor Funds	
	General	Solid Waste / Sanitation	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 10,897,167	$ 1,613,384	$ 5,023,239	$ 122,254	$ 17,656,044
Licenses and Permits	310,975	0	0	0	310,975
Fines, Forfeitures, and Penalties	209,904	0	0	38,871	248,775
Charges for Current Services	3,422,600	42,876	0	3,523	3,468,999
Other Local Revenues	222,318	295,524	0	6,372	524,214
Fees Received From County Officials	2,482,025	0	0	0	2,482,025
State of Tennessee	3,536,619	160,702	0	2,782,458	6,479,779
Federal Government	285,267	0	0	0	285,267
Other Governments and Citizens Groups	962,355	2,865	364,320	0	1,329,540
Total Revenues	$ 22,329,230	$ 2,115,351	$ 5,387,559	$ 2,953,478	$ 32,785,618
Expenditures					
Current:					
General Government	$ 2,581,210	$ 0	$ 0	$ 6,862	$ 2,588,072
Finance	1,964,470	0	0	0	1,964,470
Administration of Justice	1,829,230	0	0	0	1,829,230
Public Safety	10,927,467	0	0	71,296	10,998,763
Public Health and Welfare	4,571,037	2,226,078	0	0	6,797,115
Social, Cultural, and Recreational Services	913,196	0	0	0	913,196
Agriculture and Natural Resources	167,628	0	0	0	167,628
Other Operations	1,272,380	89,288	0	621	1,362,289
Highways	0	74,760	0	2,750,764	2,825,524
Debt Service:					
Principal on Debt	0	0	3,661,076	0	3,661,076
Interest on Debt	0	0	1,452,257	0	1,452,257
Other Debt Service	0	0	82,035	0	82,035

(Continued)

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

	Major Funds			Nonmajor Funds	
	General	Solid Waste / Sanitation	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)					
Capital Projects	$ 0	$ 0	$ 0	$ 1,522,038	$ 1,522,038
Total Expenditures	$ 24,226,618	$ 2,390,126	$ 5,195,368	$ 4,351,581	$ 36,163,693
Excess (Deficiency) of Revenues Over Expenditures	$ (1,897,388)	$ (274,775)	$ 192,191	$ (1,398,103)	$ (3,378,075)
Other Financing Sources (Uses)					
Notes Issued	$ 0	$ 0	$ 0	$ 1,500,000	$ 1,500,000
Insurance Recovery	2,182	0	0	0	2,182
Transfers In	0	0	0	1,000,000	1,000,000
Transfers Out	(1,000,000)	0	0	0	(1,000,000)
Total Other Financing Sources (Uses)	$ (997,818)	$ 0	$ 0	$ 2,500,000	$ 1,502,182
Net Change in Fund Balances	$ (2,895,206)	$ (274,775)	$ 192,191	$ 1,101,897	$ (1,875,893)
Fund Balance, July 1, 2014	6,841,884	852,909	10,123,228	1,209,679	19,027,700
Fund Balance, June 30, 2015	$ 3,946,678	$ 578,134	$ 10,315,419	$ 2,311,576	$ 17,151,807

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

Exhibit C-4

Cumberland 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)		$ (1,875,893)
(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	$ 2,755,606	
Less: current-year depreciation expense	(2,093,001)	662,605
(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		(46,979)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	$ 1,451,013	
Less: deferred delinquent property taxes and other deferred June 30, 2014	(1,447,003)	4,010
(4) The issuance of long-term debt (e.g., bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	$ (1,500,000)	
Add: change in premium on debt issuances	9,441	
Add: principal payments on notes	1,500,000	
Add: principal payments on other loans	2,161,076	
Less: contributions from the School Department for other loans	(307,572)	1,862,945
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 4,068	
Change in compensated absences payable	(14,321)	
Change in landfill postclosure care costs	4,285	
Change in other postemployment benefits liability	(20,080)	
Change in net pension liability/asset	1,936,931	
Change in deferred outflows related to pensions	1,086,036	
Change in deferred inflows related to pensions	(1,868,243)	1,128,676
Change in net position of governmental activities (Exhibit B)		$ 1,735,364

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

Exhibit C-5

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 10,897,167	$ 10,556,381	$ 10,584,381	$ 312,786
Licenses and Permits	310,975	277,724	277,724	33,251
Fines, Forfeitures, and Penalties	209,904	223,008	223,008	(13,104)
Charges for Current Services	3,422,600	3,139,536	3,139,536	283,064
Other Local Revenues	222,318	147,545	236,418	(14,100)
Fees Received From County Officials	2,482,025	2,452,461	2,488,199	(6,174)
State of Tennessee	3,536,619	3,988,725	4,188,818	(652,199)
Federal Government	285,267	422,470	3,574,529	(3,289,262)
Other Governments and Citizens Groups	962,355	715,901	965,585	(3,230)
Total Revenues	$ 22,329,230	$ 21,923,751	$ 25,678,198	$ (3,348,968)
Expenditures				
General Government				
County Commission	$ 758,662	$ 788,495	$ 951,495	$ 192,833
Board of Equalization	3,300	3,300	3,300	0
Beer Board	275	1,000	1,000	725
Other Boards and Committees	0	5,000	5,000	5,000
County Mayor/Executive	240,471	248,972	248,972	8,501
County Attorney	55,870	60,000	66,000	10,130
Election Commission	344,704	361,986	361,986	17,282
Register of Deeds	370,162	334,822	411,822	41,660
Engineering	69,929	237,700	235,031	165,102
County Buildings	584,297	787,812	789,289	204,992
Other General Administration	126,189	128,297	130,547	4,358
Preservation of Records	27,351	31,124	31,124	3,773
Finance				
Accounting and Budgeting	438,295	454,360	454,360	16,065
Property Assessor's Office	598,379	621,273	621,273	22,894
County Trustee's Office	330,644	338,104	343,192	12,548
County Clerk's Office	597,152	599,195	603,070	5,918
Administration of Justice				
Circuit Court	620,512	641,291	641,291	20,779
General Sessions Court	329,395	352,078	352,078	22,683
Chancery Court	229,647	242,237	242,237	12,590
Juvenile Court	97,109	114,635	114,635	17,526
Judicial Commissioners	165,752	209,071	209,071	43,319
Probate Court	237,579	240,285	240,285	2,706
Courtroom Security	149,236	215,253	161,919	12,683
Public Safety				
Sheriff's Department	2,929,504	3,012,483	3,117,026	187,522
Special Patrols	197,880	0	227,501	29,621
Drug Enforcement	17,131	15,972	18,347	1,216
Jail	3,509,163	3,710,657	3,735,067	225,904
Juvenile Services	137,416	192,556	182,556	45,140
Fire Prevention and Control	781,934	864,893	846,893	64,959
Civil Defense	120,316	122,380	125,154	4,838
Rescue Squad	8,550	8,550	8,550	0
Disaster Relief	2,179,766	0	3,600,000	1,420,234

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Public Safety (Cont.)				
Other Emergency Management	$ 946,616	$ 984,602	$ 984,688	$ 38,072
County Coroner/Medical Examiner	84,462	70,000	88,000	3,538
Other Public Safety	14,729	27,155	27,155	12,426
Public Health and Welfare				
Local Health Center	992,850	1,128,523	1,273,775	280,925
Rabies and Animal Control	54,264	66,103	67,079	12,815
Ambulance/Emergency Medical Services	3,238,835	3,320,229	3,359,632	120,797
Alcohol and Drug Programs	103,701	103,123	104,199	498
Other Local Health Services	4,282	17,118	17,118	12,836
Appropriation to State	57,500	57,500	57,500	0
Other Public Health and Welfare	119,605	143,368	147,450	27,845
Social, Cultural, and Recreational Services				
Senior Citizens Assistance	25,775	25,775	25,775	0
Libraries	660,826	670,326	676,459	15,633
Parks and Fair Boards	202,495	196,342	226,397	23,902
Other Social, Cultural, and Recreational	24,100	24,100	24,100	0
Agriculture and Natural Resources				
Agricultural Extension Service	84,332	96,210	96,210	11,878
Soil Conservation	83,296	84,493	84,493	1,197
Other Operations				
Tourism	85,000	85,000	85,000	0
Other Economic and Community Development	270,385	379,800	379,800	109,415
Veterans' Services	69,779	83,394	83,394	13,615
Other Charges	479,198	516,750	516,750	37,552
Contributions to Other Agencies	228,821	228,841	228,841	20
Employee Benefits	64,029	153,000	132,432	68,403
Miscellaneous	75,168	75,500	75,500	332
Total Expenditures	$ 24,226,618	$ 23,481,033	$ 27,841,818	$ 3,615,200
Excess (Deficiency) of Revenues Over Expenditures	$ (1,897,388)	$ (1,557,282)	$ (2,163,620)	$ 266,232
Other Financing Sources (Uses)				
Insurance Recovery	$ 2,182	$ 0	$ 0	$ 2,182
Transfers Out	(1,000,000)	0	(1,000,000)	0
Total Other Financing Sources	$ (997,818)	$ 0	$ (1,000,000)	$ 2,182
Net Change in Fund Balance	$ (2,895,206)	$ (1,557,282)	$ (3,163,620)	$ 268,414
Fund Balance, July 1, 2014	6,841,884	6,978,159	6,978,159	(136,275)
Fund Balance, June 30, 2015	$ 3,946,678	$ 5,420,877	$ 3,814,539	$ 132,139

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

Exhibit C-6

Cumberland County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,613,384	$ 1,588,275	$ 1,588,275	$ 25,109
Charges for Current Services	42,876	5,500	55,500	(12,624)
Other Local Revenues	295,524	450,200	450,200	(154,676)
State of Tennessee	160,702	102,500	77,500	83,202
Other Governments and Citizens Groups	2,865	2,865	2,865	0
Total Revenues	$ 2,115,351	$ 2,149,340	$ 2,174,340	$ (58,989)
Expenditures				
Public Health and Welfare				
Waste Pickup	$ 558,568	$ 637,463	$ 630,639	$ 72,071
Convenience Centers	1,107,869	1,145,710	1,151,358	43,489
Recycling Center	505,872	534,154	536,235	30,363
Postclosure Care Costs	53,769	137,765	137,765	83,996
Other Operations				
Other Charges	32,386	45,000	45,000	12,614
Employee Benefits	56,902	89,000	89,000	32,098
Highways				
Litter and Trash Collection	74,760	77,078	77,078	2,318
Total Expenditures	$ 2,390,126	$ 2,666,170	$ 2,667,075	$ 276,949
Excess (Deficiency) of Revenues Over Expenditures	$ (274,775)	$ (516,830)	$ (492,735)	$ 217,960
Net Change in Fund Balance	$ (274,775)	$ (516,830)	$ (492,735)	$ 217,960
Fund Balance, July 1, 2014	852,909	1,131,137	1,131,137	(278,228)
Fund Balance, June 30, 2015	$ 578,134	$ 614,307	$ 638,402	$ (60,268)

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

Exhibit D

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

	Agency Funds
ASSETS	
Cash	$ 971,281
Equity in Pooled Cash and Investments	3,797
Due from Other Governments	1,350,598
Total Assets	$ 2,325,676
LIABILITIES	
Accounts Payable	$ 3,797
Due to Litigants, Heirs, and Others	971,281
Due to Other Taxing Units	1,350,598
Total Liabilities	$ 2,325,676

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

CUMBERLAND COUNTY, TENNESSEE
Index of Notes to the Financial Statements

CUMBERLAND COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cumberland 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 Cumberland County:

A. Reporting Entity

Cumberland County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Cumberland County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Cumberland County School Department operates the public school system in the county, and the voters of Cumberland 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 Cumberland County Railroad Authority was created pursuant to Section 7-56-201, *Tennessee Code Annotated*. The authority is governed by a three-member board, which includes the county mayor and two members appointed by the Cumberland County Commission. The operations of the authority are managed by the county mayor. The purpose of the authority is to acquire, operate, maintain, and dispose of railroad facilities, properties, and equipment for the benefit of public transportation in Cumberland County. The authority is funded primarily from state grants.

The Cumberland County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Cumberland County, and the Cumberland 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 Cumberland County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

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

Administrative Office:

Cumberland County Emergency
Communications District
42 South Bend Drive
Crossville, TN 38555

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 Cumberland 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 Cumberland County School Department and the Cumberland County Railroad Authority, component units, only report governmental activities in the government-wide financial statements.

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

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

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

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

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

Fund financial statements of Cumberland 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. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Cumberland County has no proprietary funds to report.

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. Cumberland 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.

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

Cumberland 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.

Solid Waste/Sanitation Fund – This special revenue fund accounts for transactions related to solid waste collection. Local taxes are the foundational revenues of this fund.

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

Additionally, Cumberland County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund is used to account for construction and renovation projects of the county.

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 Cumberland County, and funds received from the resale of properties acquired through property tax sales. 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 Cumberland County School Department reports the following major governmental fund:

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.

Additionally, the Cumberland 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 Cumberland County Railroad Authority reports the following major governmental fund:

General Fund – This fund is the only operating fund for the Railroad Authority. It is used to account for general operations of the Railroad Authority.

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds, the discretely presented Cumberland County School Department, and the discretely presented Cumberland County

Railroad Authority. 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. Cumberland County, the School Department, and the Railroad Authority 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.

2. <u>Receivables and Payables</u>

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 two percent of total taxes levied.

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

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

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

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

3. Inventories

Inventories of the discretely presented Cumberland County School Department are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset in the nonspendable fund balance account in governmental funds.

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 governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings and Improvements	50
Other Capital Assets	5 - 20
Infrastructure:	
Roads	40
Bridges	60

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 sheets. These items are for an accumulated decrease in fair value of hedging derivatives results from the estimated fair value of the interest rate swaps on June 30, 2015, pension changes in experience, changes in proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date. The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. See Note IV.B.

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

6. Compensated Absences

Cumberland County and the discretely presented Cumberland County School Department permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation of service or annually upon request if certain circumstances apply. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

7. Long-term Obligations

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

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

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

8. Net Position and Fund Balance

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

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

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

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

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, Cumberland County had $43,929,606 in outstanding debt for capital purposes for the discretely presented Cumberland County School Department. This debt is a liability of Cumberland County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Cumberland 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. **Restatement**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing Cumberland County's and the Cumberland County School Department's beginning net position has been recognized on the Statement of Activities for $609,505 and $8,590,819, respectively.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Cumberland County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Cumberland 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 Cumberland 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 Cumberland 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.

Discretely Presented Cumberland County Railroad Authority

The Cumberland County Railroad Authority did not have capital assets, debt, and accruals or deferrals to report; therefore, the only reconciling items from the governmental fund financial statements to the government-wide financial statements were reclassifications and are noted on the face of the governmental fund financial statements.

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 Cumberland 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.

Discretely Presented Cumberland County Railroad Authority

The Cumberland County Railroad Authority did not have capital assets, debt, and accruals or deferrals to report; therefore, the only reconciling items from the governmental fund financial statements to the government-wide financial statements were reclassifications and are noted on the face of the governmental fund financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Shortages – Prior and Current Years

The Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report dated August 26, 2013, on the Cumberland County Veteran's Service Office (VSO), an organization to assist veterans and needy veteran families to obtain government benefits. A cash shortage of at least $134,244.58 was identified in the VSO. This amount could be greater because no records of donations made to the VSO were maintained by the veteran service officer who admitted to investigators that he had borrowed funds. Therefore, investigators could not determine if all funds donated by individuals or organizations were properly remitted to the VSO. On October 3, 2014, the defendant pled guilty to theft over $10,000, received an eight year suspended sentence, and was sentenced to pay $50,000 in restitution and an additional $50,000 to be paid at $175 per week through the Cumberland County Office of Circuit Court. As of June 30, 2015, the former veteran service officer had paid restitution of $56,714 leaving an unpaid shortage of $43,286.

The Sheriff's Office had a cash shortage of $1,402 during the year. The shortage was collected from a former jail administrator who was indicted and pled guilty to the charge of theft. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investments

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

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

Investment Balances. As of June 30, 2015, Cumberland County had the following investments carried at fair value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Cumberland County, the discretely presented Cumberland County School Department, and the discretely presented Cumberland County Railroad Authority since all pool their deposits and investments through the county trustee.

	Rating			
Investments:	Moody	Maturity		Fair Value
State Treasurer's Investment Pool	NR	3 to 139 *	$	245,217
Regions Trust Cash Sweep	N/A	N/A		80,850
Federal Home Loan Bank Series 0001	Aaa	12-29-17		150,618
Federal Home Loan Mortgage Corp	Aaa	5-18-18 to 11-15-19		299,289
Fannie Mae	Aaa	9-27-19		149,124
United States Treasury Bills	Aaa	4-15-16 to 12-31-19		6,328,231
Total			$	7,253,329

* weighted average maturity (days)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Cumberland County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Cumberland County has no investment policy that would further limit its investment choices. The ratings of Cumberland County's investments are reflected in the table presented above.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Cumberland County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in United States Treasury Bills. These investments are 87 percent of the county's total investments.

B. Derivative Instruments

At June 30, 2015, Cumberland County had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
$7.5M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 7,500,000	5-7-13	6-1-20	Pay 3.9% receive 63% of LIBOR
$6.95M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	6,950,000	5-7-13	6-1-27	Pay 4.13% receive 63% of LIBOR
$10M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	10,000,000	12-29-10	6-1-39	Pay 3.293% receive 59% of LIBOR

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2015		6-30-15 Notional
	Classification	Amount	Classification	Amount	Amount
Governmental Activities:					
Cash Flow Hedges:					
Pay-fixed interest rate swaps:					
$7.5M Swap	Deferred Outflow	$ 75,229	Debt	$ (341,786)	$ 4,435,000
$6.95M Swap	Deferred Outflow	(49,634)	Debt	(1,292,661)	6,650,000
$10M Swap	Deferred Outflow	(413,176)	Debt	(2,149,307)	10,000,000
Totals		$ (387,581)		$ (3,783,754)	$ 21,085,000

Derivative Swap Agreement Detail

$7.5M Swap:

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-F-2.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its $7.5 million Series IV-F-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series IV-F-2 bonds have since been refunded with a portion of the proceeds of the Series E-3-A bonds, and the interest rate swap is now associated with the Series E-3-A bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.9 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had an original notional amount of $7.5 million, and the associated variable-rate bond has a $7.5 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series E-3-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2020. As of June 30, 2015, rates were as follows:

	Terms	Rates	
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.90	%
Variable payment from counterparty	% of LIBOR	(1.12)	
Net interest rate swap payments		2.78	%
Variable-rate bond payments		0.77	
Synthetic interest rate on bonds		3.55	%

Fair value. As of June 30, 2015, the swap had a negative fair value of $341,786. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2015, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products, was rated A+ by Standard and Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard and Poor's, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should the rate on the bonds increase to above 63 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap	
	Principal	Interest	Payment	Total
2016	$ 610,000	$ 34,076	$ 123,231	$ 767,307
2017	640,000	29,389	106,281	775,670
2018	670,000	24,472	88,498	782,970
2019	1,225,000	19,324	69,882	1,314,206
2020	1,290,000	9,912	35,844	1,335,756
Total	$ 4,435,000	$ 117,173	$ 423,736	$ 4,975,909

$6.95M Swap:

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-H-2.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its $6.95 million Series IV-H-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series IV-H-2 bonds have since been refunded with a portion of the proceeds of the Series E-3-A bonds, and the interest rate swap is now associated with the Series E-3-A bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.13 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of $6,650,000, and the associated variable-rate bond has a $6,650,000 principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series E-3-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ "SIFMA"). The bonds and the related swap agreement mature on June 1, 2027. As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.13 %
Variable payment from counterparty	% of LIBOR	(1.12)
Net interest rate swap payments		3.01 %
Variable-rate bond payments		0.77
Synthetic interest rate on bonds		3.78 %

Fair value. As of June 30, 2015, the swap had a negative fair value of $1,292,661. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2015, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products, was rated A+ by Standard and Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard and Poor's, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should the rate on the bonds increase to above 63 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap	
	Principal	Interest	Payment	Total
2015	$ 0	$ 51,095	$ 200,072	$ 251,167
2016	0	51,095	200,072	251,167
2017	0	51,095	200,072	251,167
2018	0	51,095	200,072	251,167
2019	0	51,095	200,072	251,167
2020-2024	4,365,000	197,157	772,007	5,334,164
2025-2027	2,285,000	26,585	104,097	2,415,682
Total	$ 6,650,000	$ 479,217	$ 1,876,464	$ 9,005,681

$10M Swap:

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-C-2.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its $10 million Series VI-C-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series VI-C-2 bonds have since been refunded with a portion of the proceeds of the Series VII-B-2 bonds, and the interest rate swap is now associated with the Series VII-B-2 bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.293 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of $10 million, and the associated variable-rate bond has a $10 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series VII-B-2 bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ ("SIFMA"). The bonds and the related swap agreement mature on June 1, 2039. As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.293 %
Variable payment from counterparty	% of LIBOR	(1.050)
Net interest rate swap payments		2.243 %
Variable-rate bond payments		0.575
Synthetic interest rate on bonds		2.818 %

Fair value. As of June 30, 2015, the swap had a negative fair value of $2,149,307. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2015, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products, was rated A+ by Standard and Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard and Poor's, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should the rate on the bonds increase to above 59 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 59 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2016	$ 0	$ 57,496	$ 224,280	$ 281,776
2017	0	57,496	224,280	281,776
2018	0	57,496	224,280	281,776
2019	0	57,496	224,280	281,776
2020	0	57,496	224,280	281,776
2021-2025	0	287,478	1,121,400	1,408,878
2026-2030	0	287,478	1,121,400	1,408,878
2031-2035	4,525,000	250,105	975,618	5,750,723
2036-2039	5,475,000	80,637	314,553	5,870,190
Total	$ 10,000,000	$ 1,193,178	$ 4,654,371	$ 15,847,549

C. **Capital Assets**

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

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	$ 2,133,553	$ 0	$ 0	$ 2,133,553
Construction in Progress	0	1,495,038	0	1,495,038
Total Capital Assets Not Depreciated	$ 2,133,553	$ 1,495,038	$ 0	$ 3,628,591
Capital Assets Depreciated:				
Buildings and Improvements	$ 36,422,099	$ 0	$ 0	$ 36,422,099
Roads and Bridges	35,961,896	367,832	(14,232)	36,315,496
Other Capital Assets	12,536,414	892,736	(362,481)	13,066,669
Total Capital Assets Depreciated	$ 84,920,409	$ 1,260,568	$ (376,713)	$ 85,804,264
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 6,258,000	$ 651,306	$ 0	$ 6,909,306
Roads and Bridges	14,748,381	783,075	(6,189)	15,525,267
Other Capital Assets	8,479,753	658,620	(323,545)	8,814,828
Total Accumulated Depreciation	$ 29,486,134	$ 2,093,001	$ (329,734)	$ 31,249,401
Total Capital Assets Depreciatied, Net	$ 55,434,275	$ (832,433)	$ (46,979)	$ 54,554,863
Governmental Activities Capital Assets, Net	$ 57,567,828	$ 662,605	$ (46,979)	$ 58,183,454

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

Governmental Activites:

General Government	$ 147,792
Finance	6,055
Administration of Justice	4,527
Public Safety	625,686
Public Health and Welfare	322,909
Social, Cultural, and Recreational Services	144,822
Highways	841,210
Total Depreciation Expense - Governmental Activities	$ 2,093,001

Discretely Presented Cumberland County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	$ 2,088,454	$ 0	$ 2,088,454
Total Capital Assets Not Depreciated	$ 2,088,454	$ 0	$ 2,088,454
Capital Assets Depreciated:			
Buildings and Improvements	$ 80,649,574	$ 0	$ 80,649,574
Infrastructure	1,415,163	0	1,415,163
Other Capital Assets	8,826,255	180,040	9,006,295
Total Capital Assets Depreciated	$ 90,890,992	$ 180,040	$ 91,071,032
Less Accumulated Depreciation For:			
Buildings and Improvements	$ 22,177,398	$ 1,429,512	$ 23,606,910
Infrastructure	643,447	51,145	694,592
Other Capital Assets	5,829,095	404,723	6,233,818
Total Accumulated Depreciation	$ 28,649,940	$ 1,885,380	$ 30,535,320

Governmental Activities (Cont.):

	Balance 7-1-14	Increases	Balance 6-30-15
Total Capital Assets Depreciatied, Net	$ 62,241,052	$ (1,705,340)	$ 60,535,712
Governmental Activities Capital Assets, Net	$ 64,329,506	$ (1,705,340)	$ 62,624,166

There were no decreases in capital assets to report during the year ended June 30, 2015.

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

Governmental Activites:

Instruction	$ 1,514,461
Support Services	339,099
Operation of Non-instructional Services	31,820
Total Depreciation Expense - Governmental Activities	$ 1,885,380

D. Construction Commitments

At June 30, 2015, the county had uncompleted construction contracts of approximately $800,982 for the construction of a communications tower. Funding has been received for this future expenditure.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 59,274

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

The General Fund receivable includes $7,500 that was in transit from the nonmajor governmental Drug Control Fund at June 30, 2015.

Due to/from Primary Government and Component Unit:

Receivable	Payable	Amount
Primary Government	Component Unit: School Department	$ 2,303,876

The Due to Primary Government is the balance of other loans issued by the county for the School Department. The School Department has agreed to contribute funds annually to retire these other loans. These long-term obligations are reflected in the governmental activities on the Statement of Net Position.

Interfund Transfers:

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

Primary Government

Transfer Out	Transfer In Nonmajor Governmental Funds
General Fund	$ 1,000,000

Discretely Presented Cumberland County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental funds	$ 36,876

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.

F. Long-term Obligations

Primary Government

Notes and Other Loans

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

Other loans are direct obligations and pledge the full faith and credit of the government. Other loans outstanding were issued for original terms of up to 31 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service Fund.

Other loans 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
Other Loans	0 to 6 %	6-1-28	$ 16,849,996	$ 10,919,856
"	Variable	6-1-39	54,015,000	46,565,000

Cumberland County entered into various loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority (PBAs) to finance various capital projects for Cumberland County and the discretely presented Cumberland County School Department. Under the loan agreements, the PBAs issued revenue bonds and made the proceeds available for loan to Cumberland County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2015:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-15	Interest Type	Interest Rates as of 6-30-15	Approximate Fee Rates as of 6-30-15
Sevier County PBA:					
Series V-E-1	$ 10,365,000	$ 6,250,000	Fixed	3 to 4.75 %	0 %
Series VII-B-2	28,300,000	26,225,000	Variable	2.818 to 3.293	0.251
Series VII-F-1	5,100,000	5,100,000	Variable	0.64	0.226
Blount County PBA:					
Series B-13-A	1,750,000	1,325,000	Fixed	5.15 to 6	0
Series E-3-A	20,615,000	15,240,000	Variable	3.55 to 4.13	0.20
Series B-20-A	750,000	750,000	Fixed	4.25 to 5	0

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

Year Ending	Other Loans			
June 30	Principal	Interest	Other Fees	Total
2016	$ 2,252,040	$ 738,986	$ 107,831	$ 3,098,857
2017	2,318,172	690,828	105,741	3,114,741
2018	2,429,480	639,234	103,591	3,172,305
2019	2,494,456	584,573	101,331	3,180,360
2020	2,581,056	541,216	97,911	3,220,183
2021-2025	12,989,652	2,037,423	435,442	15,462,517
2026-2030	13,270,000	936,578	321,285	14,527,863
2031-2035	10,605,000	417,170	181,367	11,203,537
2036-2039	8,545,000	125,782	54,906	8,725,688
Total	$ 57,484,856	$ 6,711,790	$ 1,509,405	$ 65,706,051

There is $10,315,419 available in the General Debt Service Fund to service long-term debt. Debt per capita, including other loans, totaled $1,026, based on the 2010 federal census.

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

Description of Indebtedness	Outstanding 6-30-15
Other Loans	
Contributions from the General Purpose School Fund	
Energy Efficiency Loans	$ 214,304
Energy Efficiency Loans	2,089,572
Total	$ 2,303,876

Changes in Long-term Obligations

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

Governmental Activities:

	Notes	Other Loans
Balance, July 1, 2014	$ 0	$ 59,645,932
Additions	1,500,000	0
Reductions	(1,500,000)	(2,161,076)
Balance, June 30, 2015	$ 0	$ 57,484,856
Balance Due Within One Year	$ 0	$ 2,252,040

	Compensated Absences	Other Postemployment Benefits	Landfill Postcloure Care Costs
Balance, July 1, 2014	$ 930,855	$ 507,422	$ 718,356
Additions	704,549	55,523	10,899
Reductions	(690,229)	(35,443)	(15,184)
Balance, June 30, 2015	$ 945,175	$ 527,502	$ 714,071
Balance Due Within One Year	$ 661,623	$ 0	$ 26,048

Analysis of Noncurrent Libilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 59,671,605
Less: Due Within One Year	(2,939,711)
Add: Unamortized Premium on Debt	3,777
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 56,735,671

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

Discretely Presented Cumberland County School Department

Changes in Long-term Obligations

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

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	$ 74,582	$ 4,697,251
Additions	210,382	1,888,840
Reductions	(212,843)	(922,509)
Balance, June 30, 2015	$ 72,121	$ 5,663,582
Balance Due Within One Year	$ 3,606	$ 0

Analysis of Noncurrent Libilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 5,735,703
Less: Due Within One Year	(3,606)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 5,732,097

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

G. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Cumberland County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the State to the Medicare Supplement Plan for the year ended June 30, 2015, were $2,250. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Cumberland County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Cumberland 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 $223,621 and $39,563, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county's risk of loss relating to general liability, property, casualty, and workers' compensation is covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund (LGWCF), which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to these pools for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of these pools provides for it to be self-sustaining through member premiums. The LGPCF and LGWCF reinsure through commercial insurance companies for claims exceeding $100,000 for each insured event.

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

Discretely Presented Cumberland County School Department

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

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 amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Subsequent Event

On August 22, 2015, Director of Schools Donald Andrews informed the Board of Education of his plans to resign effective June 30, 2016.

D. 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.

E. Change in Administration

Sheriff Butch Burgess retired August 31, 2014, and was succeeded by Casey Cox effective September 1, 2014.

F. Landfill Postclosure Care Costs

State and federal laws and regulations require Cumberland County to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Cumberland County closed its sanitary landfill in 2013. The $714,071 reported as postclosure care liability at June 30, 2015, represents amounts based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

Cumberland County entered into an agreement with the counties of Morgan and Roane to establish an Industrial Development Board to purchase land for the development of a joint industrial park. Cumberland, Morgan, and Roane counties jointly comprise the board. The agreement established a nine-member board with each county appointing three members and being responsible for one-third of the entity's funding. Cumberland County did not make any appropriations to the board for the year ended June 30, 2015.

The Thirteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Thirteenth Judicial District, Clay, Cumberland, DeKalb, Overton, Pickett, Putnam, and Overton counties, and participating municipalities within the district. 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 each judicial district.

Cumberland County did not make appropriations to the DTF for the year ended June 30, 2015.

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

Administrative Offices:

The Industrial Development Board of the Counties of
Cumberland, Morgan, and Roane, Tennessee
Baker, Donelson, Bearman & Caldwell
Commerce Center, Suite 1000
211 Commerce Street
Nashville, TN 37201

Office of District Attorney General
Thirteenth Judicial District Drug Task Force
1519A East Spring Street
Cookeville, TN 38506

H. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Cumberland County and non-certified employees of the discretely presented Cumberland County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 45.34 percent and the non-certified employees of the discretely presented School Department comprise 54.66 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	293
Inactive Employees Entitled to But Not Yet Receiving Benefits	503
Active Employees	686
Total	1,482

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. Cumberland 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 Cumberland County were $1,758,984 based on a rate of 9.85 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Cumberland County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Cumberland 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 Cumberland 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	$ 48,304,219	$ 45,275,682	$ 3,028,537
Changes for the year:			
Service Cost	$ 1,500,494	$ 0	$ 1,500,494
Interest	3,676,730	0	3,676,730
Differences Between Expected and Actual Experience	(987,029)	0	(987,029)
Contributions-Employer	0	1,684,239	(1,684,239)
Contributions-Employees	0	892,867	(892,867)
Net Investment Income	0	7,596,302	(7,596,302)
Benefit Payments, Including Refunds of Employee Contributions	(1,563,296)	(1,563,296)	0
Administrative Expense	0	(26,961)	26,961
Other Changes	0	0	0
Net Changes	$ 2,626,899	$ 8,583,151	$ (5,956,252)
Balance, June 30, 2014	$ 50,931,118	$ 53,858,833	$ (2,927,715)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	45.34%	$ 23,092,169	$ 24,419,595	$ (1,327,426)
School Department	54.66%	27,838,949	29,439,238	(1,600,289)
Total		$ 50,931,118	$ 53,858,833	$ (2,927,715)

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

Cumberland County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 3,981,026	$ (2,927,715)	$ (8,680,330)

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

Pension Income. For the year ended June 30, 2015, Cumberland County recognized pension income of $151,495.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 0	$ 789,623
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,330,895
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	1,758,984	N/A
Total	$ 1,758,984	$ 4,120,518

(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	$ 1,086,036	$ 1,868,243
School Department	672,948	2,252,275
Total	$ 1,758,984	$ 4,120,518

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	$ (1,030,130)
2017	(1,030,130)
2018	(1,030,130)
2019	(1,030,130)
2020	0
Thereafter	0

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

Discretely Presented Cumberland County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Cumberland County and non-certified employees of the discretely presented Cumberland County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 45.34 percent and the non-certified employees of the discretely present School Department comprise 54.66 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Cumberland 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 (LEA) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were $48,964, 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 Cumberland 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 Cumberland 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	$ 48,964	N/A

The Cumberland County School Department's employer contributions of $48,964 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 Cumberland 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 LEA 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 at age 55 and vested. 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 (LEA) 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 Cumberland County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were $2,158,538, 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 Cumberland County School Department reported an asset of $102,082 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 Cumberland County School Department's proportion of the net pension asset was based on Cumberland 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 Cumberland County School Department's proportion was .628215 percent. The proportion measured as of June 30, 2013, was .610440 percent.

Pension Income. For the year ended June 30, 2015, the Cumberland County School Department recognized a pension income of $45,759.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Cumberland 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	$ 247,830	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	8,410,914
Changes in Proportion of Net Pension Liability (Asset)	250,737	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	2,158,538	N/A
Total	$ 2,657,105	$ 8,410,914

The Cumberland County School Department's employer contributions of $2,158,538 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	$ (2,019,634)
2017	(2,019,634)
2018	(2,019,634)
2019	(2,019,634)
2020	83,094
Thereafter	83,094

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 four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEA 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 Cumberland 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 Cumberland 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	$ 17,217,299	$ (102,082)	$ (14,440,652)

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**

The primary government offers its employees a deferred compensation plan established pursuant to IRC Section 457 and the discretely presented Cumberland County School Department offers its employees deferred compensation plans established pursuant to IRC Sections 457 and 403(b). All costs of administering and funding the programs are the responsibility of plan participants. The 457 and 403(b) plans assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Sections 457 and 403(b) establish participation, contribution, and withdrawal provisions for the plan.

I. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plans develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2015, the county and the School Department contributed $35,443 and $922,509, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	$ 55,000	$ 1,884,000
Interest on the NOPEBO	20,297	187,890
Adjustment to the ARC	(19,774)	(183,050)
Annual OPEB cost	$ 55,523	$ 1,888,840
Amount of contribution	(35,443)	(922,509)
Increase/decrease in NOPEBO	$ 20,080	$ 966,331
Net OPEB obligation, 7-1-14	507,422	4,697,251
Net OPEB obligation, 6-30-15	$ 527,502	$ 5,663,582

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Government Group	$ 117,090	20 %	$ 463,426
6-30-14	"	53,477	18	507,422
6-30-15	"	55,523	64	527,502
6-30-13	Local Education Group	1,991,444	43	3,804,875
6-30-14	"	1,822,920	51	4,697,251
6-30-15	"	1,888,840	49	5,663,582

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

		Local Government Group Plan		Local Education Group Plan
Actuarial valuation date		7-1-13		7-1-13
Actuarial accrued liability (AAL)	$	385,000	$	15,523,000
Actuarial value of plan assets	$	0	$	0
Unfunded actuarial accrued liability (UAAL)	$	385,000	$	15,523,000
Actuarial value of assets as a % of the AAL		0%		0%
Covered payroll (active plan members)	$	9,992,896	$	32,487,314
UAAL as a % of covered payroll		4%		48%

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

Actuarial Methods and Assumptions

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

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

J. Office of Central Accounting and Budgeting

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

K. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. All purchase orders are issued by the Finance Department. Purchases exceeding $10,000 are required to be competitively bid.

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