OFFICIAL STATEMENT

NEW ISSUE — Rating: Standard & Poor's – "A+"
BOOK-ENTRY-ONLY — (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.)

$8,005,000
MONROE COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

Dated: September 14, 2016. Due: June 1, as shown below.

The $8,005,000 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	$ 595,000	2.00%	0.60%		610814 JF3	2025	$ 525,000	2.00%	1.40%	c	610814 JP1
2018	545,000	2.00	0.70		610814 JG1	2026	525,000	2.00	1.50	c	610814 JQ9
2019	550,000	2.00	0.80		610814 JH9	2027	525,000	2.00	1.60	c	610814 JR7
2020	545,000	2.00	0.90		610814 JJ5	2028	520,000	2.00	1.70	c	610814 JS5
2021	545,000	2.00	1.00		610814 JK2	2029	515,000	2.00	1.80	c	610814 JT3
2022	540,000	2.00	1.10	c	610814 JL0	2030	510,000	2.00	1.90	c	610814 JU0
2023	530,000	2.00	1.20	c	610814 JM8	2031	505,000	2.00	2.00		610814 JV8
2024	530,000	2.00	1.30	c	610814 JN6						

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 Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Gentry, Tipton & McLemore, P.C., 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 September 14, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

August 17, 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.

MONROE COUNTY, TENNESSEE

OFFICIALS

County Mayor	Tim Yates
Director of Finance	Elizabeth Hicks
County Clerk	Larry Sloan
County Attorney	Jerome Melson

BOARD OF COUNTY COMMISSIONERS

Wanda Alexander	Richard Kirkland
Marty Allen	Bennie Moser
Bill Bivins	Bill Shadden
Harold Hawkins, Jr.	Roger Thomas
Robert Ingram	

UNDERWRITER

Citigroup Global Markets Inc.

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
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	Monroe County, Tennessee (the "County" or "Issuer"). See APPENDIX B contained herein.
Securities Offered..........................	$8,005,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") of the County, dated the date of issuance September 14, 2016. The Bonds mature each June 1 beginning June 1, 2017 through June 1, 2031, 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...	Standard & Poor's: "A+". See the section entitled "MISCELLANEOUS - Rating" for more information.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS-Financial Advisor; Related parties; Other" herein.
Underwriter....................................	Citigroup Global Markets Inc.

Bond Counsel	Bass, Berry & Sims PLC, 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 Tim Yates, County Mayor, or Mr. Larry C. Sloan, County Clerk, Monroe County Courthouse, 105 College Street, Madisonville, Tennessee 37354, telephone: 423-442-3981; 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	$3,926,139	$4,406,872	$6,162,351	$7,791,608	$8,903,014
Revenues	15,439,158	16,949,187	17,558,514	18,534,352	18,670,704
Expenditures	14,980,051	15,244,279	15,950,840	17,463,040	18,123,272
Other Financing Sources:					
Transfers In	-	39,461	-	-	-
Transfers Out	(30,000)	(30,000)	-	-	-
Insurance Recovery	51,626	41,110	21,583	40,094	39,976
Net Change in Fund Balances	480,733	1,755,479	1,629,257	1,111,406	857,408
Ending Fund Balance	**$4,406,872**	**$6,162,351**	**$7,791,608**	**$8,903,014**	**$9,490,422**

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

$8,005,000
MONROE 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 Monroe County, Tennessee (the "County") of $8,005,000 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 28, 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 refinancing the County's payment obligations under that certain outstanding Loan Agreement, Series 2011 (Monroe County School Loan), dated October 27, 2011 (the "2011 Loan") between the County and the Public Building Authority of the City of Clarksville, Tennessee (the "PBA") funded by the Local Government Loan Program Bond, Series 2011 (Monroe County School Loan), dated October 27, 2011 and that certain Loan Agreement, Series 2012 (Monroe County School Loan), dated May 1, 2012 (the "2012 Loan") between the County and the PBA funded by the Local Government Loan Program Bond, Series 2012 (Monroe County School Loan), dated May 1, 2012 (collectively, the "Outstanding Debt"). The 2011 Loan will be redeemed on October 27, 2016, and the 2012 Loan will be redeemed within 30 days of the issuance of the 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.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery September 14, 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, whether optional or mandatory, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the

Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

DISPOSITION OF BOND PROCEEDS

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

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

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

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

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

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

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

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

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

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

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

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MISCELLANEOUS

RATING

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

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

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on August 17, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated August 9, 2016.

The successful bidder for the Bonds was an account led by Citigroup Global Markets 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 $8,141,333.63 (consisting of the par amount of the Bonds, plus a reoffering premium of $190,678.55 less an underwriter's discount of $54,344.92) or 101.703106% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing 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 Filing History. While it is believed that all appropriate filings were made with respect to the ratings of the County’s outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. 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 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-10;

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-11 through B-12;

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-13;

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

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

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

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

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

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

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

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

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

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders, if material;

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

   i. Defeasances;

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

   k. Rating changes;

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

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

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

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

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

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

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

(c) The amendment or waiver 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/ Tim Yates
County Mayor

ATTEST:

/s/ Larry Sloan
County Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Monroe County, Tennessee (the "Issuer") of the $8,005,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") dated September 14, 2016. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

2. The resolution of the Board 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.

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

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

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

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

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

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

Yours truly,

Bass, Berry & Sims PLC

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Monroe County (the "County") is located in the southeastern portion of Tennessee. The County is bounded on the north by Tellico Lake (Loudon County) and Blount County. Polk County and the state of North Carolina make up the County's southern border. North Carolina also provides the County's eastern border with McMinn County to the west. According to the 2010 Census, the County has a population of 44,519. The City of Madisonville, the County seat, is about 35 miles southwest of Knoxville. The City of Sweetwater is the largest town in Monroe County, with a 2010 Census population of 5,764 and is located about 45 miles south of Knoxville and 65 miles north of Chattanooga. Other incorporated towns within the County are Tellico Plains and Vonore (which a portion of also lies in Blount County).

GENERAL

Monroe County has an approximate land area of 635 square miles or 425,600 acres. The County produces a variety of crops which include various grains, tobacco, cotton, potatoes and vegetables. Dairy products, poultry and livestock also add to farm income.

TRANSPORTATION

The County is served by the Norfolk Southern and CSX Railroads. These two lines provide daily direct freight and inter-modal service to the Eastern United States, with connections to other carriers to the Southwest and west of the Mississippi River. Highway transportation is provided by U.S. Highway 11 and 411 and State Highways 360, 322, 165, 72, 68, and 39. Interstate 75 is easily accessible, lying only two miles from County line, with Interstate 40 within a 30-minute drive.

The Monroe County Airport provides small flight service, with an asphalt runway of 3,600 feet. The nearest commercial service is at McGhee Tyson Airport in Knoxville, a half hour's drive from the County.

The County nearest port facility is in the city of Vonore on the Little Tennessee River that flows into Tellico Lake. The waterway is eleven feet deep and six miles long. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south.

EDUCATION

The *Monroe County School System* serves the County's citizens with thirteen schools, which include seven elementary schools, three middle or junior high schools, three high schools and one vocational school. Fall 2014 enrollment was 5,531 students with 323 teachers. The *Sweetwater City School System* has two elementary and two middle/junior high schools located in the city. The fall 2014 enrollment was 1,603 students with 95 teachers.

Source: Tennessee Department of Education.

Hiwassee College is a private, two-year college associated with the United Methodist Church and is located in Madisonville, Tennessee. The College began in 1849 and currently has an enrollment of about 500 students. The College offers a variety of university parallel and career/vocational programs leading to the Associate of Arts, Associate of Science, or Associate of Applied Science degree. Over eighty percent of the students come from Appalachia and most use financial assistance. It has also been rated as one of the five most affordable private colleges in Tennessee. Its campus is comprised of eighteen buildings situated on sixty acres in Monroe County.

Source: Hiwassee College.

Cleveland State Community College is a comprehensive two-year community college that operates within the governance of the Tennessee Board of Regents. The college is located in Cleveland, Tennessee, just 30 miles northeast of Chattanooga. The fall of 2014 semester had a full-time enrollment of 3,529 students. The college has offices and classrooms in Athens and Vonore. Cleveland State's service area includes Bradley, Meigs, McMinn, Monroe, and Polk Counties.

Source: Cleveland State Community College.

The Tennessee Technology Center at Athens. The Tennessee Technology Center at Athens 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 Athens serves the southeast region of the state including McMinn, Monroe, Bradley, Meigs, and Polk Counties. The Technology Center at Athens began operations in 1963, and the main campus is located in McMinn County. Fall 2013 enrollment was 416 students.

Source: Tennessee Technology Center at Athens.

The University of Tennessee about 35 miles away in Knox County.

HEALTHCARE

Sweetwater Hospital is the County's only hospital with about 57 beds. It originally opened in the early 1960's. A new emergency room and surgery wing was completed in fall of 2007. The 35,884-square-foot expansion with three stories began in 2003 and cost about $5 million. The new state-of-the-art ER is five times larger than the old emergency room and much more efficient.

Athens Regional Medical Center is a 118- bed acute-care facility that serves the area of McMinn, Monroe and Meigs County. It is located in nearby McMinn County. Athens Regional Medical Center offers a state-of-the-art 1.5T MRI Scanner, a GE Lightspeed CT Scanner, two ultrasound systems, nuclear medicine, PET/ CT, bone densitometry, and complete x-ray imaging.

An in-house Lithotripter (used for the removal of kidney stones) enables patients to receive immediate treatment. Athens Regional also offers a full spectrum of surgical services. Athens Regional is affiliated with LifePoint Hospitals, Inc. based in Brentwood, Tennessee. LifePoint has 48 hospitals nation-wide with five located in Tennessee.

Source: LifePoint Hospitals, Inc.

LEISURE BOAT MANUFACTURES

Due to the Tennessee Valley Authority system of lakes and rivers, East Tennessee is an excellent place to test boats without worrying about hurricanes while being near the Interstate crossroads. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the surrounding communities the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. It takes a week to deliver the yachts too large for the interstate from the reservoir down the series of locks on the Tennessee River, along the Tennessee-Tombigbee Waterway, then on to the Gulf of Mexico and beyond. This system formed largely by the Mississippi River and its tributaries, effectively links the River with the Great Lakes to the north and the Gulf of Mexico to the south.

Brunswick Boat Group, with $2.8 billion in revenue in recent years, moved its corporate headquarters to Knoxville from Chicago in 2002. The company, which owns more than two dozen boat brands, is the largest boat builder in the region. The aim is to improve quality and serviceability with a new closed-mold production method and acquisition of companies that will allow it to service boats faster, control quality better and make owning a boat as easy as owning a car.

The Yamaha jet boat plant located in Monroe County is as of 2015 the largest manufacturer of sporting boats in the world. In early 2015, a $17.7 million expansion was begun which will add 150 new jobs over time to the current work force of 348 employees. The Japanese-based company has had record profits since production increased 200 percent in 2012.

Source: News Sentinel.

Boat manufactures in the area listed by county are below:

Knox County:	Bullet Boats, and Sailabration Houseboats
Monroe County:	Sea Ray Boats, Mastercraft Boats, Yamaha-TWI and Bryant Boats
Blount County:	Skier's Choice, Allison and Stroker Boats
Loudon County:	Malibu Boats
Cumberland County:	Leisure Kraft Pontoons
Campbell County:	Norris Craft Boat Company

MANUFACTURING AND COMMERCE

The local economy is well-diversified as a result of the County's close proximity to both Knoxville and Chattanooga and the rest of the highly industrialized East Tennessee area. The County's employment lies primarily in manufacturing, with over 50 industries producing over 200 different products. Principal products are apparel, fabricated metals, furniture, lumber and wood products. There are also four industrial parks conveniently located in the County which serve several businesses and industries and have space available for additional development.

Niles Ferry Industrial Park is located in Vonore with 676 total acres in the park. It is owned by the Monroe County. The site is readily accessible to major highway, rail, air and water transportation services. As a planned industrial environment, the park's facilities and functions are being integrated with the land and water resources of Tellico Lake.

The *Madisonville Industrial Park* is publicly owned by the City of Madisonville, Tennessee. There are 253 total acres in the park, with about 165 acres available for Industrial Development. *Sweetwater Industrial Park* is adjacent to Norfolk-Southern Railway in Sweetwater. Out of the total 110 acres in the park, only 10 acres left for development.

Tellico West Industrial Park is publicly owned by Tellico Reservoir Development Agency. The site is located in Vonore on State Route 72 and the CSX Transportation Railroad. There are 965 acres out of 1,500 available in the park. Tellico West Conference Center and the Grand Vista Hotel are located at the Tellico West Industrial Park in Vonore. The Conference Center has two board rooms, two suites and a ball room that can seat up to 850 people. The Hotel, located next door, has fifty rooms and suites.

Biorefinery. The University of Tennessee built a $40 million “grassoline” plant in Monroe County to create ethanol from switchgrass and other plants. The University built and operates the demonstration scale facility in partnership with cellulosic biofuels pioneer Mascoma crop, in the Niles Ferry Industrial Park in Monroe County. This biorefinery is about one-tenth the size of a commercial production facility. It will allow researchers to create a system that can be expanded to larger plants across the state in coming years. Construction began in late 2007, and the plant was opened in January of 2010. The plant began producing ethanol from corn cobs and was then changed to switchgrass within a year. It directly employs about 40 people and produces about 250,000 gallons of ethanol a year, but its main purpose is research. The commercial plants would produce about 15 million gallons of ethanol every year.

Energy crops like switchgrass, which can be grown on marginal crop land, can produce affordable, domestic renewable fuel without raising food or feed costs. When operating at full capacity, the facility will require 170 tons per day of switch grass and other agricultural and forest biomass. Researchers say that eventually Tennessee could produce over 1 billion gallons of cellulosic ethanol a year, which could offset up to one-third of the state’s petroleum usage. This is the second biorefinery to be built in East Tennessee, the other is the BioEnergy Sciences Center operated by the Oak Ridge National Laboratory.

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The following table lists the major industrial employers in the County:

Major Employers in Monroe County

Company	Product	Employees
JTEKT Automotive TN	Automotive Steering Systems	923
National Seating Co.	Seat Systems	458
Yamaha-TWI	Sport Boats	440
Commercial Vehicle Group	Truck & Boat Seats	420
Mastercraft	Pleasure Boats	400
Carlex Glass Company	Automotive Glass Sets	393
Sea Ray Boats (Tellico Plant)	Pleasure Boats	349
Havco Wood Products	Laminated Wood Floors	300
Gemtron Corp.	Tempered Glass	232
Sweetwater Valley Oil Co.	Petroleum products	185
Vestal Manufacturing	Metal Fireplaces	100
Aeroflex	Thermal insulation	93
Ryder Logistics	Dry Foods Distribution	90
Great Lakes Boat Top Company	Boat Accessories	80
Transport 1	Trucking	72
NGK Metals	Insulators and copper alloys	70

Source: Monroe County Economic Development and Knoxville News Sentinel - 2014.

EMPLOYMENT INFORMATION

As of February 2016 the unemployment rate for Monroe County was 5.2% which represents 18,330 persons employed out of a labor force of 19,330. The table below reflects unemployment rates for the County versus the State of Tennessee and the United States.

Monroe 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%
Monroe County	**12.3%**	**10.6%**	**10.7%**	**7.7%**	**6.4%**
Index vs. National	138	131	145	124	121
Index vs. State	134	133	130	115	110

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

ECONOMIC DATA

Historically, Monroe County's per capita rate of growth, as depicted by the relatively constant relationship of the County's per capita income versus the State levels, has kept up with the growth in personal income throughout the State of Tennessee.

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
Monroe County	**$25,993**	**$27,053**	**$27,993**	**$28,386**	**$29,449**
Index vs. National	65	64	63	64	64
Index vs. State	73	72	72	72	73

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

Social and Economic Characteristics

	National	Tennessee	Monroe County	Sweetwater
Median Value Owner Occupied Housing	$175,700	$139,900	$113,700	$104,800
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	77.9%	78.4%
% Persons with Income Below Poverty Level	14.80%	18.30%	20.6%	15.9%
Median Household Income	$53,482	$44,621	$37,202	$34,684

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

TOURISM AND RECREATION

Appalachian National Scenic Trail (the "AT"). The Appalachian Trail is a 2,175-mile long footpath stretching through 14 eastern states from Maine to Georgia. It can be accessed in nearby Blount County though the Great Smokey Mountain National Park in Townsend. Conceived in 1921 and first completed in 1937, it traverses the wild, scenic, wooded, pastoral, and culturally significant lands of the Appalachian Mountains. The AT is enjoyed by an estimated 4 million people each year.

Source: National Park Service.

Cherohala Skyway. The Cherohala Skyway was completed in the fall of 1996 after being under construction for some thirty-four years. It is North Carolina's most expensive highway carrying a pricetag of $100,000,000. Winding up and over 6,000 foot mountains for 15 miles in

North Carolina and descending another 21 miles into the deeply forested backcountry of Tennessee. The road crosses through the Cherokee and Nantahala National Forests thus the name "Chero...hala". The Skyway is becoming well known for its natural beauty and scenic vistas.

This road connects Robbinsville, North Carolina, with Tellico Plains, Tennessee in Monroe County. It can be desolate at night and extremely dangerous in the winter months. There are no facilities other than restrooms for the entire 36 miles. There is little evidence of civilization from views that rival or surpass any from the Blue Ridge Parkway. Sightseers, motorcyclists, and sports car enthusiasts all come to enjoy this scenic highway. Many just drive to the top to cool off in the summer months. There is usually a ten-degree difference in temperatures from the lower elevations.

The Cherohala Skyway Visitor Center in Tellico Plains, Tennessee, is a product of a grant from the National Scenic Byway program. The visitor center was opened in September 2003 and is owned by Monroe County, Tennessee. Management of the visitor center is in partnership with the US Forest Service, Monroe County, Tellico Plains, and the Cradle of Forestry Interpretive Association. The gift shop in the visitor center is a "not-for-profit" gift shop.

Source: Cherohala Skyway.

Cherokee National Forest (the "CNF"). The Cherokee National Forest is located in Eastern Tennessee and stretches from Polk, Monroe, Cocke, Greene, Unicoi, Carter and Johnson Counites along the North Carolina border. The 640,000-acre forest is the largest tract of public land in Tennessee. About 145,000 of those acres make up one third of Monroe County. It lies in the heart of the Southern Appalachian mountain range, one of the world's most diverse areas. These mountains are home to more than 20,000 species of plants and animals. Also popular are the 650 miles of hiking trails and the 500 miles of streams for fishing. Each year millions of people visit Tennessee's Cherokee National Forest. The area is the former homeland of the Cherokee Indians and is Tennessee's only National Forest. National forests are lands of many uses. The original purpose for their creation was to protect water quality and provide a continuous supply of timber. Today the national forest mission includes outdoor recreation, wildlife and fish habitat, wilderness, water quality, minerals, wood products, and much more.

Also located in the Cherokee National Forest at Deals Gap (the border of Blount and Monroe Counties) is the Tail of the Dragon. A section of US Highway 129 winds its way through the National Forest to such a degree that it has become famous for driving the curves. The section's 318 curves in 11 miles have made it America's number one motorcycle and sports car road. Drivers from all over the country come to ride the Tail of the Dragon.

Source: USDA Forest Service.

Fort Loudoun State Historic Park. Fort Loudoun State Park is located in Vonore (in Monroe County) on TVA's Tellico Reservoir. This 1,200-acre site is the location of one of the earliest British fortifications on the western frontier, built in 1756. Nearby were the principal towns of the Cherokee Nation including Tenase, namesake of the state, and Tuskegee, birthplace of the genius Sequoyah, commemorated by the Cherokee Nation's Museum. Today the fort and the 1794 Tellico Blockhouse overlook the Tellico Reservoir and the Appalachian Mountains. Much of the park's 1,200-acres lie on an island on Tellico Lake. The park has a Visitor Center/Museum that offers information on the area's history and artifacts that were excavated prior to the Fort's reconstruction. The largest event of each year is an18th Century Trade Faire that showcases many aspects of that century. British soldiers, civilians, ladies and small children come together with traders, French soldiers, Creek and Cherokee Indians.

Source: Tennessee State Parks.

Great Smoky Mountains National Park (the "Park"). The Great Smoky Mountains National Park straddles the border between North Carolina and Tennessee in Blount and Sevier Counties and the southern part of Cocke County. Monroe County is located southwest of the Park. Over 500,000 acres were set aside in 1934 to form the Park. It includes 97 historic and 342 modern structures that are maintained by the Park. The Park is a hiker's paradise with over 800 miles of maintained trails, including the Appalachian Trail. The Smoky Mountains have the most biological diversity of any area in the world's temperate zone. The Park is a sanctuary for a magnificent array of animal and plant life, all of which is protected for future generations to enjoy. Located in the center of the eastern half of the United States, the Park is readily accessible to 70% of the country's population. Each year it draws the largest attendance of any of the National Parks in the United States. Visitors during 2014 reached over 10 million, the highest number of visits since 1999.

In 2010 construction the $3 million Oconoluftee Visitor Center near Cherokee, N.C was completed. In 2008 construction was completed to build a $4.5 million Twin Creeks Science and Education Center near Gatlinburg. These are the first new major buildings to be built in the Park since the Sugarlands Visitor Center opened in 1964 at the Gatlinburg entrance.

Source: National Park Service.

The Lost Sea. Home of America's largest underground lake, The Lost Sea is open year round for tours of its mysterious caverns. This US Registered National Landmark is a fun and educational place to visit. Wide sloping walkways take you on an adventure to the many interesting rooms, some of which are among the widest, highest and largest rooms of any caverns in the Southeast. The easy walk down the cavern is rewarded with glass-bottom boat ride on the lake.

Tellico Dam and Reservoir. Tennessee Valley Authority's ("TVA") Tellico Dam is located in Lenoir City on the Little Tennessee River very close to the Fort Loudoun Dam. Construction of Tellico Dam began in 1967 and was completed in 1979. Tellico Dam is 129 feet high and reaches 3,238 feet across the Little Tennessee River. Water from Tellico helps drive the four generating units at Fort Loudoun Dam, which has a generating capacity of 145,000 kilowatts of electricity.

Tellico Reservoir stretches 33 miles into the mountains of east Tennessee through Loudon and Monroe Counties. Tellico Reservoir was planned as an extension of nearby Fort Loudoun Reservoir and has 373 miles of shoreline. Tellico Dam serves to divert water through a short canal into Fort Loudoun, linking the two reservoirs in their joint functions of flood control, power production, and improved navigation. They help regulate flooding downstream, especially at Chattanooga. The canal also allows barges to enter the Little Tennessee River without a lock, thus significantly increasing commercial barge operations in the Valley. Several recreation areas with boat ramps, day-use areas, fishing areas, and campgrounds, are available at Tellico.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

Commercial Vehicle Group. In Tellico Plains Commercial Vehicle Group closed its plant permanently in late 2011, with 237 workers losing their jobs. Some employees may be moved to the plant in Vonore. The down economy was blamed. The plant produced seat covers for large trucks.

JTEKT Automotive. The automotive plant, JTEKT, hired an additional 123 employees in 2014, after hiring 260 new workers in 2012. In 2012 the company paid $7.25 million for the 375,000-square-foot building and 72 acres that used to be the Cobalt Yachts facility (which closed in 2007). The company has eleven locations across the United States. JTEKT produces both hydraulic and electric power steering components for domestic and foreign automakers including Chrysler, Toyota, Honda and Nissan.

MasterCraft Boat Company. Located in Blount and Monroe Counties, MasterCraft added 300 new jobs in the spring of 2010 following its recent acquisition of Hydra-Sports, a maker of saltwater boats. MasterCraft moved all the Hydra-Sports production to the MasterCraft plant in Vonore. In 1993, MasterCraft moved from Blount County to Monroe County. At its peak, the company employed about 650 workers in Vonore. The plant is currently located on Excellence Way, in a Tellico Reservoir Development Agency industrial park located directly on Tellico Lake. The company makes several types of boats: Hydra-Sport salt water boats, ProStar ski boats, X-Series weight board boats, MariStar luxury family personal boats and Salt Water Series designed for brackish water and the inland coastal waterway conditions.

Pfizer Global Manufacturing. In 2011 Pfizer closed its logistics center in the Tellico West Industrial Park and sent the operations to a third-party. About 186 jobs were lost.

Yamaha-Tennessee Watercraft Inc. The Yamaha jet boat plant located in Monroe County finished its third expansion in ten years. The $3-million-dollar expansion added 7 acres to the existing site and created up to 100 jobs in 2015.

Source: Knoxville News Sentinel and WBIR.COM.

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MONROE COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)		As of June 30, 2016 OUTSTANDING
$ 600,000	General Obligation FHA Loan, Series 1978	Jan. 2018	Fixed		$ 70,000
2,225,000	General Obligation Public Improvement Bonds, Series 1999 (CABS)	April 2018	Fixed	(3)	346,235
9,850,000	General Obligation Bonds, Series 2008	June 2038	Fixed		9,850,000
33,000,000	Loan Agreement, Series E-7-A	June 2039	Variable	(2)	29,150,000
8,300,000	TMBF, Series 2011	June 2031	Variable	(2)	6,225,000
2,300,000	TMBF, Series 2012	June 2031	Variable	(2)	1,725,000
71,820	General Obligation Bonds, Series 2012	Aug. 2022	Fixed		44,266
7,810,000	General Obligation Refunding Bonds, Series 2015	June 2035	Fixed		7,800,000
360,000	Water Revenue and Tax Bonds, Series 2005	June 2044	Fixed		306,533
9,416,068	Water Revenue and Tax Loan, SRF Series 07-198A	June 2030	Fixed		3,005,195
$ 73,932,888	**TOTAL BONDED DEBT**				$ 58,522,229
$ 8,005,000	PLUS: General Obligation Refunding Bonds, Series 2016	June 2031	Fixed		$ 8,005,000
8,300,000	LESS: Loan Refunded (TMBF, Series 2011)	June 2031	Variable	(2)	(6,225,000)
2,300,000	LESS: Loan Refunded (TMBF, Series 2012)	June 2031	Variable	(2)	(1,725,000)
$ 92,537,888	**NET TOTAL DEBT**				$ 58,577,229

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. $14,160,000 of the Series E-7-A Bonds have been swapped to a synthetic fixed rate. For more information, see the notes to the Financial Statements in the CAFR. Additionally, does not include any debt backed by the County and issued for the benefit of the Tellico Area Service System ("TASS"), a self-supporting water system for a residential and commercial properties located in Monroe and Loudon Counties.

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

MONROE COUNTY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

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

	For Fiscal Year Ending June 30				Unaudited	After Issuance
INDEBTEDNESS	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**
TAX SUPPORTED						
General Obligation Bonds & Notes	$ 64,496,680	$ 62,038,593	$ 58,975,894	$ 60,920,280	$ 58,522,229	$ 58,577,229
TOTAL TAX SUPPORTED	64,496,680	62,038,593	58,975,894	60,920,280	58,522,229	58,577,229
TOTAL DEBT	$ 64,496,680	$ 62,038,593	$ 58,975,894	$ 60,920,280	$ 58,522,229	$ 58,577,229
Less: Debt Service Fund	(7,052,753)	(7,500,321)	(8,171,248)	(8,964,210)	(8,964,210)	(8,964,210)
NET DIRECT DEBT	$ 57,443,927	$ 54,538,272	$ 50,804,646	$ 51,956,070	$ 49,558,019	$ 49,613,019

PROPERTY TAX BASE						
Estimated Actual Value	$ 3,644,207,845	$ 3,667,666,340	$ 3,543,809,207	$ 3,576,705,588	$ 3,576,541,720	$ 3,576,541,720
Appraised Value	3,644,207,845	3,667,666,340	3,543,809,207	3,576,705,588	3,574,038,141	3,574,038,141
Assessed Value	1,014,726,744	1,023,780,832	1,018,090,642	1,028,753,505	1,025,071,488	1,025,071,488

	For Fiscal Year Ending June 30				Unaudited	After Issuance
DEBT RATIOS	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**
TOTAL DEBT to Estimated Actual Value	1.77%	1.69%	1.66%	1.70%	1.64%	1.64%
TOTAL DEBT to Appraised Value	1.77%	1.69%	1.66%	1.70%	1.64%	1.64%
TOTAL DEBT to Assessed Value	6.36%	6.06%	5.79%	5.92%	5.71%	5.71%
NET DIRECT DEBT to Estimated Actual Value	1.58%	1.49%	1.43%	1.45%	1.39%	1.39%
NET DIRECT DEBT to Appraised Value	1.58%	1.49%	1.43%	1.45%	1.39%	1.39%
NET DIRECT DEBT to Assessed Value	5.66%	5.33%	4.99%	5.05%	4.83%	4.84%
PER CAPITA RATIOS						
POPULATION (1)	45,133	45,265	45,233	45,771	45,771	45,771
PER CAPITA PERSONAL INCOME (2)	$27,993	$28,386	$29,449	$29,449	$29,449	$29,449
Estimated Actual Value to POPULATION	80,744	81,027	78,346	78,143	78,140	78,140
Assessed Value to POPULATION	22,483	22,617	22,508	22,476	22,396	22,396
Total Debt to POPULATION	1,429	1,371	1,304	1,331	1,279	1,280
Net Direct Debt to POPULATION	1,273	1,205	1,123	1,135	1,083	1,084
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.10%	4.83%	4.43%	4.52%	4.34%	4.35%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.55%	4.24%	3.81%	3.85%	3.68%	3.68%

(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.

MONROE COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y. Ended 6/30	Existing Debt As of June 30, 2016 (1) Principal (3)	Interest (2)	TOTAL	Less: Bonds Being Refunded Principal	Interest	TOTAL	General Obligation Bonds, Series 2016 Principal	Interest (4)	TOTAL	% 2016 Principal Repaid	Total Bonded Debt Service Requirements (1) Principal (3)	Interest (2)	TOTAL	% All Principal Repaid
$2,017	$ 2,055,634	$ 2,051,033	$ 4,106,667	$ (530,000)	$ (194,775)	$ (724,775)	$ 595,000	$ 114,294	$ 709,294	7.43%	$ 2,120,634	$ 1,970,552	$ 4,091,185	3.62%
$2,018	2,018,616	1,993,742	4,012,358	(530,000)	(181,790)	(711,790)	545,000	148,200	693,200		2,033,616	1,960,152	3,993,768	
$2,019	2,318,985	1,934,696	4,253,681	(530,000)	(168,805)	(698,805)	550,000	137,300	687,300		2,338,985	1,903,191	4,242,176	
$2,020	2,407,379	1,857,844	4,265,223	(530,000)	(155,820)	(685,820)	545,000	126,300	671,300		2,422,379	1,828,324	4,250,703	
$2,021	2,335,831	1,777,734	4,113,565	(530,000)	(142,835)	(672,835)	545,000	115,400	660,400		2,350,831	1,750,299	4,101,130	
$2,022	2,384,341	1,703,565	4,087,906	(530,000)	(129,850)	(659,850)	540,000	104,500	644,500	41.47%	2,394,341	1,678,215	4,072,556	23.32%
$2,023	2,451,863	1,627,036	4,078,899	(530,000)	(116,865)	(646,865)	530,000	93,700	623,700		2,451,863	1,603,871	4,055,734	
$2,024	2,524,358	1,548,297	4,072,655	(530,000)	(103,880)	(633,880)	530,000	83,100	613,100		2,524,358	1,527,517	4,051,875	
$2,025	2,588,055	1,467,095	4,055,150	(530,000)	(90,895)	(620,895)	525,000	72,500	597,500		2,583,055	1,448,700	4,031,755	
$2,026	2,681,815	1,383,117	4,064,932	(530,000)	(77,910)	(607,910)	525,000	62,000	587,000		2,676,815	1,367,207	4,044,022	
$2,027	2,770,640	1,293,536	4,064,176	(530,000)	(64,925)	(594,925)	525,000	51,500	576,500	74.39%	2,765,640	1,280,111	4,045,751	45.52%
$2,028	2,854,533	1,203,227	4,057,760	(530,000)	(51,940)	(581,940)	520,000	41,000	561,000		2,844,533	1,192,287	4,036,820	
$2,029	2,948,494	1,108,124	4,056,618	(530,000)	(38,955)	(568,955)	515,000	30,600	545,600		2,933,494	1,099,769	4,033,263	
$2,030	2,901,368	1,009,378	3,910,746	(530,000)	(25,970)	(555,970)	510,000	20,300	530,300		2,881,368	1,003,708	3,885,076	
$2,031	2,896,151	908,486	3,804,637	(530,000)	(12,985)	(542,985)	505,000	10,100	515,100	100.00%	2,871,151	905,601	3,776,752	
$2,032	2,496,619	806,491	3,303,110	-	-	-	-	-	-		2,496,619	806,491	3,303,110	69.46%
$2,033	2,577,108	712,211	3,289,319	-	-	-	-	-	-		2,577,108	712,211	3,289,319	
$2,034	2,687,617	614,712	3,302,329	-	-	-	-	-	-		2,687,617	614,712	3,302,329	
$2,035	2,798,147	513,291	3,311,438	-	-	-	-	-	-		2,798,147	513,291	3,311,438	
$2,036	2,978,700	407,099	3,385,799	-	-	-	-	-	-		2,978,700	407,099	3,385,799	
$2,037	3,109,276	284,184	3,393,460	-	-	-	-	-	-		3,109,276	284,184	3,393,460	93.62%
$2,038	3,249,876	154,695	3,404,571	-	-	-	-	-	-		3,249,876	154,695	3,404,571	
$2,039	415,502	19,581	435,083	-	-	-	-	-	-		415,502	19,581	435,083	
$2,040	16,153	2,942	19,095	-	-	-	-	-	-		16,153	2,942	19,095	
$2,041	16,832	2,276	19,108	-	-	-	-	-	-		16,832	2,276	19,108	
$2,042	17,540	1,581	19,121	-	-	-	-	-	-		17,540	1,581	19,121	99.96%
$2,043	18,277	858	19,135	-	-	-	-	-	-		18,277	858	19,135	
$2,044	2,519	104	2,623	-	-	-	-	-	-		2,519	104	2,623	100.00%
	$ 58,522,229	$ 26,386,935	$ 84,909,164	$ (7,950,000)	$ (1,558,200)	$ (9,508,200)	$ 8,005,000	$ 1,210,794	$ 9,215,794		$ 58,577,229	$ 26,039,529	$ 84,616,757	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. $14,160,000 of the Series E-7-A Bonds have been swapped to a synthetic fixed rate. For more information, see the notes to the Financial Statements in the CAFR. Additionally, does not include any debt backed by the County and issued for the benefit of the Tellico Area Service System ("TASS"), a self-supporting water system for a residential and commercial properties located in Monroe and Loudon Counties.

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

(3) Original principal amount remaining as of June 30, 2016 on Series 1999 Bonds.

(4) Estimated Interest Rates. Estimated Average Coupon of 1.74%.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30,				
Fund Type	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental Funds:					
General	$ 4,406,872	$ 6,162,351	$ 7,791,608	$ 8,903,014	$ 9,490,422
Highways	1,116,106	1,386,971	1,413,997	1,147,906	1,068,329
General Debt Service	6,311,487	7,052,753	7,500,321	8,171,248	8,964,210
Other Governmental	3,172,466	4,620,858	4,464,775	4,470,044	3,944,558
Total	**$15,800,978**	**$19,222,933**	**$21,170,701**	**$22,692,212**	**$23,467,519**
Proprietary Net Assets:					
Internal Service	$1,514,395	$1,600,719	$1,497,678	$1,631,399	$1,446,610

Source: County Audit.

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MONROE 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	$ 7,698,729	$ 9,542,245	$ 9,707,085	$ 10,238,944	$ 10,301,516
Licenses and Permits	88,204	97,106	95,713	87,470	142,272
Fines, forfeitures and penalties	147,220	139,431	140,989	197,439	156,960
Charges for current services	3,093,211	2,685,130	3,266,546	3,551,791	3,534,520
Other local revenues	262,142	208,428	227,793	197,561	216,499
Fees from County Officials	1,748,657	1,929,195	1,912,919	1,885,903	1,878,873
State of Tennessee	1,414,156	1,511,897	1,481,249	1,261,082	1,255,696
Federal Government	717,553	679,066	542,392	838,567	905,012
Other Gvrmts & Citizens Groups	269,286	156,689	183,828	275,595	279,356
Total Revenues	$ 15,439,158	$ 16,949,187	$ 17,558,514	$ 18,534,352	$ 18,670,704
Expenditures:					
General Government	$ 1,841,478	$ 2,241,159	$ 2,531,114	$ 2,498,011	$ 2,595,303
Finance	1,715,889	1,603,912	1,645,705	1,687,716	1,737,722
Administration of Justice	1,291,250	1,296,659	1,387,471	1,404,996	1,459,601
Public Safety	5,148,041	5,282,259	5,460,448	5,840,974	6,115,313
Public Health & Welfare	3,483,129	3,376,724	3,573,225	4,048,168	4,249,399
Social, Culutural & Recreationals Ser	349,189	347,756	338,584	344,521	329,848
Agricultural & Natural Resources	105,867	115,994	119,959	125,029	127,937
Other Operations	1,043,064	977,686	892,172	1,511,168	1,505,604
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	2,144	2,130	2,162	2,457	2,545
Total Expenditures	$ 14,980,051	$ 15,244,279	$ 15,950,840	$ 17,463,040	$ 18,123,272
Excess (Deficiency) of Revenues Over Expenditures	$ 459,107	$ 1,704,908	$ 1,607,674	$ 1,071,312	$ 547,432
Other Sources and Uses:					
Loan/Bond/Note Proceeds	$ -	$ -	$ -	$ -	$ -
Insurance Recovery	51,626	41,110	21,583	40,094	39,976
Operating transfers - In	-	39,461	-	-	-
Capitalized lease proceeds	-	-	-	-	-
Operating Transfers - out	(30,000)	(30,000)	-	-	-
Total Expenditures & Other Uses	$ 21,626	$ 50,571	$ 21,583	$ 40,094	$ 39,976
Net Change in Fund Balances	$ 480,733	$ 1,755,479	$ 1,629,257	$ 1,111,406	$ 587,408
Fund Balance July 1	3,926,139	4,406,872	6,162,351	7,791,608	8,903,014
Prior Period Adjustment	-	-	-	-	-
Fund Balance June 30	**$ 4,406,872**	**$ 6,162,351**	**$ 7,791,608**	**$ 8,903,014**	**$ 9,490,422**

Source: Comprehensive Annual Financial Reports for Monroe County, Tennessee

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report of Tennessee, property in the County reflected a ratio of appraised value to true market value of 0.9993. The following table shows pertinent data for tax year 2015[1].

Class	**Estimated Assessed Valuation**	**Assessment Rate**	**Estimated Appraised Value**
Public Utilities	$ 103,678,603	55%	$ 237,522,573
Commercial and Industrial	191,532,240	40%	478,830,600
Personal Tangible Property	88,880,770	30%	296,269,047
Residential and Farm	640,979,875	25%	2,563,919,500
Total	**$1,025,071,488**		**$3,576,541,720**

Source: 2015 Tax Aggregate Report of Tennessee.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2016 (tax year 2015) is $1,025,071,488 compared to $1,028,753,505 or the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is $3,576,541,720 compared to $3,576,705,588 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.

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	$1,014,726,744	$ 1.95	$19,865,413	$18,344,073	92.3%	N/A	
2012	1,023,135,456	1.95	20,034,499	18,669,793	93.2%	N/A	
2013	1,018,090,642	2.0942	21,347,987	20,144,154	94.4%	N/A	
2014	1,028,753,505	2.0942	21,584,088	20,356,863	94.3%	$1,227,225	5.7%
2015	1,025,071,488	2.0942	21,533,625	**IN PROGRESS**			

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

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

	Taxpayer	Business Type	Assessed Value	Taxes Levied
1.	Brookfield Smoky MTN Hydro	Utility	$ 65,334,095	$1,205,386
2.	JTEKT & TN Koyo	Motor Vehicle Parts	33,460,087	701,543
3.	FT Loudoun Electric	Utility	20,983,496	447,480
4.	Carlex Glass Co	Glass Products	10,808,438	357,545
5.	Centurion Vonore, GP	Pharmaceuticals	8,578,309	179,586
6.	National Seating	Truck & Boat Seats	7,971,950	164,874
7.	Sea Ray Boats / Ray Industries	Boat Manufacturing	7,088,927	164,145
8.	TN Watercraft	Boat Manufacturing	3,884,457	134,216
9.	Stag G1/Conagra Foods	Food	5,476,031	113,257
10.	Mastercraft/MCBC Acquisition	Boat Manufacturing	4,695,813	104,525
	TOTAL		**$168,281,6603**	**$3,572,557**

Source: The County.

Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the County are as follows:

	Taxpayer	Business Type	Assessed Value	Taxes Levied
1.	Brookfield Smoky MTN Hydro	Utility	$ 57,558,322	$1,205,386
2.	JTEKT & TN Koyo	Motor Vehicle Parts	30,593,483	641,537
3.	FT Loudoun Electric	Utility	21,367,596	447,480
4.	Carlex Glass Co	Glass Products	17,073,133	354,545
5.	Centurion Vonore, GP	Pharmaceuticals	8,575,298	179,584
6.	National Seating	Truck & Boat Seats	7,872852	164,874
7.	Sea Ray Boats / Ray Industries	Boat Manufacturing	7,838,105	164,145
8.	TN Watercraft	Boat Manufacturing	5,701,229	119,395
9.	Stag G1/Conagra Foods	Food	5,408,115	113,257
10.	Mastercraft/MCBC Acquisition	Boat Manufacturing	4,991,112	104,525
	TOTAL		**$166,979,245**	**$3,497,728**

Source: The County.

PENSION PLANS

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

The present value of the unfunded actuarial liability associated with the County's post-employment medical benefits is not known. The County will conduct an actuarial study to determine its unfunded liability in the future. The County will begin recognizing the accrued liability, if any, on its future financial statements as required by GASB 45.

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

MONROE 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 Monroe County for the fiscal year ended June 30, 2015 which is available upon request from the County.

ANNUAL FINANCIAL REPORT

MONROE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015

TENNESSEE COMPTROLLER OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

MONROE 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

MARK TREECE, CPA, CGFM
Audit Manager

ANGIE COLLINS, CPA, CFE
AMY MOORE, CGFM
DOUG SANDIDGE, CISA, CFE
State Auditors

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

MONROE COUNTY, TENNESSEE
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Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- Discrepancies in operations of the Monroe County Dental Clinic are currently being investigated.

OFFICES OF DIRECTOR OF SCHOOLS AND FINANCE DIRECTOR

- School Federal Projects Funds were expended without being charged to a federal program.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- The office did not prepare adequate trial balances of the execution docket.
- The office software did not have adequate application controls.

OFFICE OF SHERIFF

- Deficiencies existed in the maintenance of the commissary accounting records.
- The office did not deposit some funds within three days of collection.

OFFICE OF ASSESSOR OF PROPERTY

- The assessor did not adequately maintain assessment maps.

COUNTY COMMISSION

- The county's Audit Committee is not a functioning committee.

INTRODUCTORY SECTION

Monroe County Officials
June 30, 2015

Officials

Tim Yates, County Mayor
Steve Teague, Road Superintendent
Tim Blankenship, Director of Schools
Marna Hull, Trustee
Michael Shadden, Assessor of Property
Larry Sloan, County Clerk
Martha Cook, Circuit and General Sessions Courts Clerk
Teresa Choate, Clerk and Master
Mildred Estes, Register of Deeds
Tommy Jones, Jr., Sheriff
Elizabeth Hicks, Director of Finance

Board of County Commissioners

Richard Kirkland, Chairman
Marty Allen
Bill Bivins
Harold Hawkins, Jr.
Wanda Alexander
Mitch Ingram
Bennie Moser
Bill Shadden
Roger Thomas
Paulette Summey

Board of Education

Larry Stein, Chairman
Bob Lovingood
Janie Harrill
Sonya Lynn
Steve Rogers
Marsha Standridge
Jerry Snyder
Dewitt Upton
Jo T. Cagle

Financial Management Committee

Marty Allen, Chairman
Tim Yates, County Mayor
Tim Blankenship, Director of Schools
Steve Teague, Road Superintendent
Roger Thomas
Mitch Ingram
Paulette Summey

Audit Committee

Doug Richesin
Jim Fairweather
Jeff Amburn

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Monroe County Women's Wellness and Maternity Center. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Monroe County Women's Wellness and Maternity Center, is based solely on the report of the other auditors. We were unable to determine Monroe County Women's Wellness and Maternity Center's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the Monroe County Emergency Communications District, a component unit requiring discrete presentation, was not included in the county's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As described in Note V.B., Monroe 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 this matter.

Emphasis of Matter

We draw attention to Note I.D.8. to the financial statements, which describe a restatement decreasing the primary government's beginning Governmental Activities net position by $316,622, and decreasing the discretely presented Monroe County School Department's beginning net position by $6,747,303. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plans on pages 98 -104 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 Monroe 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 Monroe County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016, on our consideration of Monroe 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 Monroe County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 13, 2016

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government Governmental Activities	Component Units Monroe County School Department	Component Units Women's Wellness and Maternity Center
ASSETS			
Cash	$ 63,261	$ 4,555	$ 27,505
Equity in Pooled Cash and Investments	24,337,524	6,951,734	0
Accounts Receivable	1,274,216	17,706	111,479
Allowance for Uncollectibles	(370,321)	0	(19,726)
Due from Other Governments	941,505	1,468,105	0
Property Taxes Receivable	15,811,660	5,432,885	0
Allowance for Uncollectible Property Taxes	(822,261)	(282,534)	0
Prepaid Items	0	0	9,314
Net Pension Asset - Agent Plan	1,431,966	1,351,253	0
Net Pension Asset - Cost-sharing Plan	0	66,624	0
Capital Assets			
Assets Not Depreciated:			
Land	1,252,698	864,562	0
Construction in Progress	394,672	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	5,022,971	47,059,224	0
Other Capital Assets	1,971,796	478,657	383,259
Infrastructure - Roads, Streets, and Bridges	98,132,550	0	0
Total Assets	$ 149,442,237	$ 63,412,771	$ 511,831
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	$ 116,705	$ 0	$ 0
Accumulated Decrease in Fair Value of Hedging Derivatives	1,976,047	0	0
Pension Changes in Experience	0	161,743	0
Pension Contributions after Measurement Date	586,661	1,935,981	0
Total Deferred Outflows of Resources	$ 2,679,413	$ 2,097,724	$ 0
LIABILITIES			
Accounts Payable	$ 221,912	$ 70,278	$ 8,771
Accrued Payroll	30,430	2,899,414	0
Payroll Deductions Payable	107,432	1,558,907	0
Contracts Payable	88,226	0	0
Accrued Interest Payable	80,754	0	0
Due to State of Tennessee	3,969	0	0
Due to Litigants, Heirs, and Others	46,100	0	0
Derivative - Interest Rate Swap	2,399,116	0	0
Noncurrent Liabilities:			
Due Within One Year	2,648,634	0	18,390
Due in More Than One Year	55,597,978	5,853,782	322,787
Total Liabilities	$ 61,224,551	$ 10,382,381	$ 349,948

(Continued)

Exhibit A

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

	Primary Government	Component Units	
	Governmental Activities	Monroe County School Department	Women's Wellness and Maternity Center
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	$ 14,655,918	$ 5,035,764	$ 0
Pension Changes in Experience	494,937	467,039	0
Pension Changes in Investment Earnings	1,173,058	6,596,221	0
Pension Other Deferrals	0	968,978	0
Total Deferred Inflows of Resources	$ 16,323,913	$ 13,068,002	$ 0
NET POSITION			
Net Investment in Capital Assets	$ 104,455,209	$ 48,402,443	$ 54,998
Restricted for:			
General Government	1,134,985	0	0
Finance	7,897	0	0
Administration of Justice	26,077	0	0
Public Safety	303,985	0	0
Public Health and Welfare	1,256,718	0	0
Highways	1,286,134	0	0
Education	0	1,671,888	0
Debt Service	8,335,822	0	0
Other Purposes	1,432,966	0	0
Unrestricted	(43,666,607)	(8,014,219)	106,885
Total Net Position	$ 74,573,186	$ 42,060,112	$ 161,883

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

Exhibit B

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

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: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Units: Monroe County School Department	Net (Expense) Revenue and Changes in Net Position: Component Units: Women's Wellness and Maternity Center
Primary Government:							
Governmental Activities:							
General Government	$ 4,356,634	$ 544,040	$ 77,872	$ 82,114	$ (3,652,608)	$ 0	$ 0
Finance	1,707,776	1,076,226	15,164	0	(616,386)	0	0
Administration of Justice	1,416,394	1,078,532	9,000	0	(328,862)	0	0
Public Safety	6,181,092	919,023	277,109	0	(4,984,960)	0	0
Public Health and Welfare	6,420,913	4,327,194	372,706	491,012	(1,230,001)	0	0
Social, Cultural, and Recreational Services	329,848	0	0	0	(329,848)	0	0
Agriculture and Natural Resources	118,606	0	19,168	0	(99,438)	0	0
Highways	7,856,505	282,784	2,262,512	0	(5,311,209)	0	0
Education	8,888	0	0	7,194	(1,694)	0	0
Interest on Long-term Debt	1,835,396	0	0	0	(1,835,396)	0	0
Total Primary Government	$ 30,232,052	$ 8,227,799	$ 3,033,531	$ 580,320	$ (18,390,402)	$ 0	$ 0
Component Units:							
Monroe County School Department	$ 44,354,604	$ 991,047	$ 5,333,833	$ 0	$ 0	$ (38,029,724)	$ 0
Women's Wellness and Maternity Center	515,773	409,089	37,100	0	0	0	(69,584)
Total Component Units	$ 44,870,377	$ 1,400,136	$ 5,370,933	$ 0	$ 0	$ (38,029,724)	$ (69,584)

(Continued)

Exhibit B

Monroe County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Monroe County School Department	Women's Wellness and Maternity Center
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					$ 7,822,844	$ 4,585,489	$ 0
Property Taxes Levied for Solid Waste/Sanitation					1,281,469	0	0
Property Taxes Levied for Highways					787,718	0	0
Property Taxes Levied for Debt Service					3,448,631	0	0
Local Option Sales Taxes					679,417	3,697,115	0
Wheel Tax					926,218	0	0
Other Local Taxes					721,237	111,231	0
Grants and Contributions Not Restricted to Specific Programs					2,376,256	29,434,907	0
Unrestricted Investment Income					6,690	23	5
Miscellaneous					41,992	7,639	0
Insurance Recovery					38,407	0	0
Pension Income					80,593	294,685	0
Total General Revenues					$ 18,211,472	$ 38,131,089	$ 5
Change in Fair Value of Derivatives - Interest Rate Swap					$ 101,177	$ 0	$ 0
Change in Net Position					$ (77,753)	$ 101,365	$ (69,579)
Net Position, July 1, 2014					74,967,561	48,706,050	231,462
Restatement - See Note I.D.8.					(316,622)	(6,747,303)	0
Net Position, June 30, 2015					$ 74,573,186	$ 42,060,112	$ 161,883

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

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 61,731	$ 0	$ 0	$ 1,530	$ 63,261
Equity in Pooled Cash and Investments	8,974,499	881,297	8,858,380	4,099,796	22,813,972
Accounts Receivable	1,209,566	1,220	58,888	4,542	1,274,216
Allowance for Uncollectibles	(370,321)	0	0	0	(370,321)
Due from Other Governments	465,477	399,555	49,358	27,115	941,505
Due from Other Funds	1,578	24,895	0	0	26,473
Property Taxes Receivable	9,722,159	929,906	4,069,289	1,090,306	15,811,660
Allowance for Uncollectible Property Taxes	(495,230)	(48,358)	(211,617)	(67,056)	(822,261)
Total Assets	$ 19,569,459	$ 2,188,515	$ 12,824,298	$ 5,156,233	$ 39,738,505
LIABILITIES					
Accounts Payable	$ 81,658	$ 19,266	$ 0	$ 44,046	$ 144,970
Accrued Payroll	21,992	6,996	0	1,442	30,430
Payroll Deductions Payable	88,361	14,183	0	4,888	107,432
Contracts Payable	0	0	0	88,226	88,226
Due to Other Funds	23,499	0	0	2,974	26,473
Due to State of Tennessee	3,969	0	0	0	3,969
Due to Litigants, Heirs, and Others	0	0	0	46,100	46,100
Total Liabilities	$ 219,479	$ 40,445	$ 0	$ 187,676	$ 447,600
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 9,030,758	$ 861,936	$ 3,771,847	$ 991,377	$ 14,655,918
Deferred Delinquent Property Taxes	164,495	16,445	71,967	26,726	279,633

(Continued)

Exhibit C-1

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

	Major Funds General	Major Funds Highway / Public Works	Major Funds General Debt Service	Nonmajor Funds Other Govern-mental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES (CONT.)					
Other Deferred/Unavailable Revenue	$ 664,305	$ 201,360	$ 16,274	$ 5,896	$ 887,835
Total Deferred Inflows of Resources	$ 9,859,558	$ 1,079,741	$ 3,860,088	$ 1,023,999	$ 15,823,386
FUND BALANCES					
Restricted:					
Restricted for General Government	$ 1,134,985	$ 0	$ 0	$ 0	$ 1,134,985
Restricted for Finance	7,897	0	0	0	7,897
Restricted for Administration of Justice	26,077	0	0	0	26,077
Restricted for Public Safety	51,736	0	0	252,249	303,985
Restricted for Public Health and Welfare	20,273	0	0	1,203,823	1,224,096
Restricted for Highways/Public Works	0	1,068,329	0	0	1,068,329
Restricted for Debt Service	0	0	8,964,210	0	8,964,210
Restricted for Capital Projects	0	0	0	2,488,486	2,488,486
Restricted for Other Purposes	1,000	0	0	0	1,000
Committed:					
Committed for General Government	6,189	0	0	0	6,189
Committed for Public Safety	27,866	0	0	0	27,866
Committed for Public Health and Welfare	9,823	0	0	0	9,823
Committed for Capital Outlay	4,010,000	0	0	0	4,010,000
Assigned:					
Assigned for General Government	8,940	0	0	0	8,940
Assigned for Finance	4,122	0	0	0	4,122
Assigned for Administration of Justice	40,656	0	0	0	40,656
Assigned for Public Safety	52,661	0	0	0	52,661
Assigned for Public Health and Welfare	51,711	0	0	0	51,711

(Continued)

Exhibit C-1

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

	Major Funds General	Major Funds Highway / Public Works	Major Funds General Debt Service	Nonmajor Funds Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES (CONT.)					
Assigned (Cont.):					
Assigned for Other Operations	$ 27,315	$ 0	$ 0	$ 0	$ 27,315
Unassigned	400,917	0	0	0	4,009,171
Total Fund Balances	$ 9,490,422	$ 1,068,329	$ 8,964,210	$ 3,944,558	$ 23,467,519
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 19,569,459	$ 2,188,515	$ 12,824,298	$ 5,156,233	$ 39,738,505

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

Exhibit C-2

Monroe 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)		$ 23,467,519
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,252,698	
Add: construction in progress	394,672	
Add: buildings and improvements net of accumulated depreciation	5,022,971	
Add: infrastructure net of accumulated depreciation	98,132,550	
Add: other capital assets net of accumulated depreciation	1,971,796	106,774,687
(2) Internal service funds are used by management to charge the cost of employee health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,446,610
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	$ (423,000)	
Less: bonds payable	(18,097,146)	
Less: other loans payable	(38,241,454)	
Add: deferred amount on refunding	116,705	
Less: compensated absences payable	(384,799)	
Less: landfill closure/postclosure care costs	(159,087)	
Less: other postemployment benefits liability	(305,251)	
Less: fair value of investment-type derivative – interest rate swap	(423,069)	
Less: accrued interest on bonds, and notes	(80,754)	
Less: interest accreted on bonds	(635,875)	(58,633,730)
(4) 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	$ 586,661	
Less: deferred inflows of resources related to pensions	(1,667,995)	(1,081,334)
(5) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		1,431,966
(6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		1,167,468
Net position of governmental activities (Exhibit A)		$ 74,573,186

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

Exhibit C-3

Monroe 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	Highway / Public Works	General Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 10,301,516	$ 916,999	$ 4,913,294	$ 1,453,141	$ 17,584,950
Licenses and Permits	142,272	0	0	0	142,272
Fines, Forfeitures, and Penalties	156,960	0	0	314,811	471,771
Charges for Current Services	3,534,520	282,784	58,888	572,778	4,448,970
Other Local Revenues	216,499	0	6,690	33,856	257,045
Fees Received from County Officials	1,878,873	0	0	0	1,878,873
State of Tennessee	1,255,696	2,105,517	31,645	93,699	3,486,557
Federal Government	905,012	116,375	0	0	1,021,387
Other Governments and Citizens Groups	279,356	0	407,194	0	686,550
Total Revenues	$ 18,670,704	$ 3,421,675	$ 5,417,711	$ 2,468,285	$ 29,978,375
Expenditures					
Current:					
General Government	$ 2,595,303	$ 0	$ 0	$ 330,477	$ 2,925,780
Finance	1,737,722	0	0	0	1,737,722
Administration of Justice	1,459,601	0	0	36	1,459,637
Public Safety	6,115,313	0	0	238,969	6,354,282
Public Health and Welfare	4,249,399	0	0	1,912,159	6,161,558
Social, Cultural, and Recreational Services	329,848	0	0	0	329,848
Agriculture and Natural Resources	127,937	0	0	0	127,937
Other Operations	1,505,604	0	0	0	1,505,604
Highways	0	3,501,252	0	59,780	3,561,032
Debt Service:					
Principal on Debt	0	0	2,084,294	0	2,084,294
Interest on Debt	0	0	1,991,858	0	1,991,858
Other Debt Service	0	0	548,597	0	548,597

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)					
Capital Projects	$ 2,545	$ 0	$ 0	$ 452,350	$ 454,895
Total Expenditures	$ 18,123,272	$ 3,501,252	$ 4,624,749	$ 2,993,771	$ 29,243,044
Excess (Deficiency) of Revenues Over Expenditures	$ 547,432	$ (79,577)	$ 792,962	$ (525,486)	$ 735,331
Other Financing Sources (Uses)					
Insurance Recovery	$ 39,976	$ 0	$ 0	$ 0	$ 39,976
Total Other Financing Sources (Uses)	$ 39,976	$ 0	$ 0	$ 0	$ 39,976
Net Change in Fund Balances	$ 587,408	$ (79,577)	$ 792,962	$ (525,486)	$ 775,307
Fund Balance, July 1, 2014	8,903,014	1,147,906	8,171,248	4,470,044	22,692,212
Fund Balance, June 30, 2015	$ 9,490,422	$ 1,068,329	$ 8,964,210	$ 3,944,558	$ 23,467,519

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

Exhibit C-4

Monroe 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)		$ 775,307
(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	$ 1,311,482	
Less: current-year depreciation expense	(4,942,842)	(3,631,360)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: book value of assets disposed		(11,251)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	$ 1,167,468	
Less: deferred delinquent property taxes and other deferred June 30, 2014	(1,211,721)	(44,253)
(4) The issuance of long-term debt (e.g., bonds, notes, 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 effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	$ 0	
Add: principal payments on notes	$ 438,358	
Add: principal payments on bonds	318,748	
Add: principal payments on other loans	1,327,188	
Less: change in deferred amount on refunding debt	(10,938)	2,073,356
(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	$ 2,697	
Change in accreted interest payable	164,703	
Change in compensated absences payable	22,949	
Change in other postemployment benefits liability	(24,115)	
Change in net pension liability/asset	1,748,588	
Change in deferred outflows related to pensions	586,661	
Change in deferred inflows related to pensions	(1,667,995)	
Change in landfill postclosure care costs	10,572	844,060
(6) Internal service funds are used by management to charge the cost of employee health benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		(184,789)
(7) For interest rate swap agreements that are classified as investment derivatives, the change in fair market value is reflected in changes in net position for governmental activities.		101,177
Change in net position of governmental activities (Exhibit B)		$ (77,753)

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

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 10,301,516	$ 0	$ 0	$ 10,301,516	$ 9,687,082	$ 9,692,082	$ 609,434
Licenses and Permits	142,272	0	0	142,272	80,500	81,045	61,227
Fines, Forfeitures, and Penalties	156,960	0	0	156,960	223,500	223,500	(66,540)
Charges for Current Services	3,534,520	0	0	3,534,520	4,176,230	4,598,616	(1,064,096)
Other Local Revenues	216,499	0	0	216,499	240,730	293,350	(76,851)
Fees Received from County Officials	1,878,873	0	0	1,878,873	2,140,000	2,140,000	(261,127)
State of Tennessee	1,255,696	0	0	1,255,696	1,565,535	1,415,467	(159,771)
Federal Government	905,012	0	0	905,012	1,704,240	1,935,558	(1,030,546)
Other Governments and Citizens Groups	279,356	0	0	279,356	277,875	296,653	(17,297)
Total Revenues	$ 18,670,704	$ 0	$ 0	$ 18,670,704	$ 20,095,692	$ 20,676,271	$ (2,005,567)
Expenditures							
General Government							
County Commission	$ 386,664	$ (10)	$ 62	$ 386,716	$ 383,658	$ 383,658	$ (3,058)
Board of Equalization	2,100	0	0	2,100	3,200	3,200	1,100
County Mayor/Executive	187,945	0	0	187,945	219,751	219,751	31,806
Personnel Office	189,454	0	0	189,454	207,826	207,826	18,372
County Attorney	55,000	0	0	55,000	55,000	55,000	0
Election Commission	273,288	(6,763)	1,816	268,341	321,752	321,752	53,411
Register of Deeds	360,280	0	0	360,280	373,845	373,845	13,565
Planning	52,146	0	0	52,146	93,745	93,745	41,599
Engineering	59,286	(2,500)	6,086	62,872	79,948	79,948	17,076
Codes Compliance	41,758	0	0	41,758	50,781	50,781	9,023
Geographical Information Systems	75,671	0	0	75,671	90,557	90,557	14,886
County Buildings	627,742	(3,457)	976	625,261	642,018	684,685	59,424
Other General Administration	267,795	(11)	0	267,784	293,800	293,800	26,016
Preservation of Records	16,174	(12)	0	16,162	16,826	18,326	2,164
Finance							
Accounting and Budgeting	560,360	(14,329)	1,023	547,054	600,928	600,928	53,874
Property Assessor's Office	294,404	0	0	294,404	336,513	336,513	42,109
Reappraisal Program	88,355	0	0	88,355	128,838	128,838	40,483

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Finance (Cont.)							
County Trustee's Office	$ 314,488	$ (85)	$ 0	$ 314,403	$ 341,344	$ 341,344	$ 26,941
County Clerk's Office	480,115	(6,424)	3,099	476,790	496,679	506,235	29,445
Administration of Justice							
Circuit Court	947,616	(1,315)	1,954	948,255	1,056,695	1,056,695	108,440
General Sessions Judge	243,558	(1,100)	0	242,458	266,247	266,247	23,789
Chancery Court	205,482	(89)	33,802	239,195	313,624	313,624	74,429
Probate Court	45,841	0	900	46,741	49,808	49,808	3,067
Other Administration of Justice	17,104	0	4,000	21,104	21,000	21,000	(104)
Public Safety							
Sheriff's Department	2,945,928	(19,908)	9,744	2,935,764	3,176,706	3,185,068	249,304
Administration of the Sexual Offender Registry	850	0	0	850	3,200	3,200	2,350
Jail	2,304,796	(4,983)	5,325	2,305,138	2,602,536	2,602,536	297,398
Juvenile Services	97,237	0	0	97,237	113,265	113,265	16,028
Commissary	151,694	(12,136)	2,500	142,058	190,000	219,020	76,962
Fire Prevention and Control	268,444	0	0	268,444	229,000	268,444	0
Rescue Squad	55,000	0	0	55,000	55,000	55,000	0
Other Emergency Management	47,211	0	0	47,211	58,927	64,401	17,190
County Coroner/Medical Examiner	82,153	0	0	82,153	76,600	76,600	(5,553)
Other Public Safety	162,000	0	0	162,000	162,000	162,000	0
Public Health and Welfare							
Local Health Center	54,918	0	600	55,518	66,100	66,100	10,582
Rabies and Animal Control	155,483	(5,650)	4,650	154,483	178,711	179,256	24,773
Ambulance/Emergency Medical Services	3,084,767	(12,530)	43,667	3,115,904	3,093,307	3,531,725	415,821
Dental Health Program	575,221	(1,349)	2,684	576,556	647,366	647,366	70,810
Alcohol and Drug Programs	10,024	0	0	10,024	0	10,024	0
Crippled Children Services	1,995	0	0	1,995	1,995	1,995	0
Other Local Health Services	323,840	0	0	323,840	320,584	377,711	53,871
General Welfare Assistance	43,151	0	0	43,151	47,159	47,159	4,008

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	$ 38,000	$ 0	$ 0	$ 38,000	$ 38,000	$ 38,000	$ 0
Libraries	121,198	0	0	121,198	122,191	122,191	993
Other Social, Cultural, and Recreational	170,650	0	0	170,650	170,650	170,650	0
Agriculture and Natural Resources							
Agricultural Extension Service	74,322	0	0	74,322	77,526	78,108	3,786
Soil Conservation	51,615	0	0	51,615	54,207	54,207	2,592
Flood Control	2,000	0	0	2,000	2,000	2,000	0
Other Operations							
Tourism	221,502	0	450	221,952	242,649	257,177	35,225
Industrial Development	311,957	(472)	240	311,725	293,822	358,822	47,097
Other Economic and Community Development	609,865	0	0	609,865	842,797	777,797	167,932
Airport	282,092	(23,020)	26,625	285,697	1,144,072	1,148,822	863,125
Veterans' Services	25,879	(5)	0	25,874	27,311	27,311	1,437
Contributions to Other Agencies	7,850	0	0	7,850	19,500	19,500	11,650
Employee Benefits	44,459	0	0	44,459	44,459	44,459	0
Miscellaneous	2,000	0	0	2,000	0	2,000	0
Capital Projects							
Public Safety Projects	2,545	0	0	2,545	10,000	10,000	7,455
Total Expenditures	$ 18,123,272	$ (116,148)	$ 150,203	$ 18,157,327	$ 20,556,023	$ 21,220,020	$ 3,062,693
Excess (Deficiency) of Revenues Over Expenditures	$ 547,432	$ 116,148	$ (150,203)	$ 513,377	$ (460,331)	$ (543,749)	$ 1,057,126
Other Financing Sources (Uses)							
Insurance Recovery	$ 39,976	$ 0	$ 0	$ 39,976	$ 0	$ 6,862	$ 33,114
Total Other Financing Sources	$ 39,976	$ 0	$ 0	$ 39,976	$ 0	$ 6,862	$ 33,114
Net Change in Fund Balance	$ 587,408	$ 116,148	$ (150,203)	$ 553,353	$ (460,331)	$ (536,887)	$ 1,090,240
Fund Balance, July 1, 2014	8,903,014	(116,148)	0	8,786,866	8,770,410	8,770,410	16,456
Fund Balance, June 30, 2015	$ 9,490,422	$ 0	$ (150,203)	$ 9,340,219	$ 8,310,079	$ 8,233,523	$ 1,106,696

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

Exhibit C-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	$ 916,999	$ 0	$ 0	$ 916,999	$ 794,090	$ 794,090	$ 122,909
Charges for Current Services	282,784	0	0	282,784	335,000	335,500	(52,716)
Other Local Revenues	0	0	0	0	200	200	(200)
State of Tennessee	2,105,517	0	0	2,105,517	2,702,234	2,852,234	(746,717)
Federal Government	116,375	0	0	116,375	55,029	72,187	44,188
Total Revenues	$ 3,421,675	$ 0	$ 0	$ 3,421,675	$ 3,886,553	$ 4,054,211	$ (632,536)
Expenditures							
Highways							
Administration	$ 249,204	$ 0	$ 391	$ 249,595	$ 249,596	$ 249,596	$ 1
Highway and Bridge Maintenance	2,062,149	(115,912)	119,647	2,065,884	2,592,847	2,610,505	544,621
Operation and Maintenance of Equipment	670,041	(17,803)	11,427	663,665	763,731	763,731	100,066
Other Charges	282,688	0	0	282,688	274,037	274,037	(8,651)
Employee Benefits	3,426	0	0	3,426	5,000	5,000	1,574
Capital Outlay	233,744	(179,789)	0	53,955	384,782	534,782	480,827
Total Expenditures	$ 3,501,252	$ (313,504)	$ 131,465	$ 3,319,213	$ 4,269,993	$ 4,437,651	$ 1,118,438
Excess (Deficiency) of Revenues Over Expenditures	$ (79,577)	$ 313,504	$ (131,465)	$ 102,462	$ (383,440)	$ (383,440)	$ 485,902
Net Change in Fund Balance	$ (79,577)	$ 313,504	$ (131,465)	$ 102,462	$ (383,440)	$ (383,440)	$ 485,902
Fund Balance, July 1, 2014	1,147,906	(313,504)	0	834,402	663,737	663,737	170,665
Fund Balance, June 30, 2015	$ 1,068,329	$ 0	$ (131,465)	$ 936,864	$ 280,297	$ 280,297	$ 656,567

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

Exhibit D-1

Monroe County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2015

	Governmental Activities - Internal Service Fund
	Employee Health Insurance - Fund
ASSETS	
Current Assets:	
Equity in Pooled Cash and Investments	$ 1,523,552
Total Assets	$ 1,523,552
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 76,942
Total Liabilities	$ 76,942
NET POSITION	
Net Position - Unrestricted	$ 1,446,610
Total Net Position	$ 1,446,610

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

Exhibit D-2

Monroe County, Tennessee
Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Governmental Activities - Internal Service Fund
	Employee Health Insurance Fund
Operating Revenues	
Self-Insurance Premiums	$ 2,061,539
Total Operating Revenues	$ 2,061,539
Operating Expenses	
Fiscal Agent Charges	$ 194,430
Medical Claims	1,757,786
Insurance Premiums	294,112
Total Operating Expenses	$ 2,246,328
Operating Income (Loss)	$ (184,789)
Change in Net Position	$ (184,789)
Net Position, July 1, 2014	1,631,399
Net Position, June, 30, 2015	$ 1,446,610

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

Exhibit D-3

Monroe County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Governmental Activities - Internal Service Fund
	Employee Health Insurance Fund
Cash Flows from Operating Activities	
Receipts for Self-Insurance Premiums	$ 2,233,266
Payments to Fiscal Agents	(194,430)
Payments to Insurers	(294,112)
Payments for Claims	(1,800,215)
Net Cash Provided By (Used In) Operating Activities	$ (55,491)
Increase (Decrease) in Cash	$ (55,491)
Cash, July 1, 2014	1,579,043
Cash, June 30, 2015	$ 1,523,552
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	$ (184,789)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) Decrease in Current Receivables	171,727
Increase (Decrease) in Current Liabilities	(42,429)
Net Cash Provided By (Used In) Operating Activities	$ (55,491)

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

Exhibit E

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

	Agency Funds
ASSETS	
Cash	$ 1,504,929
Equity in Pooled Cash and Investments	16,521
Due from Other Governments	958,433
Taxes Receivable	1,425,808
Allowance for Uncollectible Taxes	(73,732)
Total Assets	$ 3,831,959
LIABILITIES	
Due to Other Taxing Units	$ 2,327,030
Due to Litigants, Heirs, and Others	1,504,929
Total Liabilities	$ 3,831,959

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

MONROE COUNTY, TENNESSEE
Index of Notes to the Financial Statements

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Monroe 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 Monroe County:

A. Reporting Entity

Monroe County is a public municipal corporation governed by an elected ten-member board. As required by GAAP, these financial statements present Monroe 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 Monroe County School Department operates the public school system in the county, and the voters of Monroe 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 Monroe County Women's Wellness and Maternity Center was organized to provide prenatal care and counseling, as well as a lower cost option of delivery for citizens of the area, and the Monroe County Commission appoints its governing body. Monroe County has assisted the operations of the Women's Wellness and Maternity Center through the issuance of capital outlay notes for facility construction and improvements.

The Monroe County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Monroe County, and the Monroe 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 Monroe 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 Monroe County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Monroe County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Monroe County Women's Wellness and Maternity Center and the Monroe County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Monroe County Women's Wellness
and Maternity Center
P.O. Box 115
Madisonville, Tennessee 37354

Monroe County Emergency
Communications District
P.O. Box 869
Madisonville, Tennessee 37354

B. Government-wide and Fund Financial Statements

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

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

Monroe County issues all debt for the discretely presented Monroe 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, proprietary funds (internal service), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements, and 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 proprietary fund and fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Monroe County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Monroe County only reports one proprietary fund, an internal service fund. It has no enterprise funds to report.

Separate financial statements are provided for governmental funds, the proprietary fund, 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 internal service fund and the fiduciary funds in total are reported in single columns by fund type.

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. Monroe 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.

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

Monroe County reports the following major governmental funds:

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

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

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

Additionally, Monroe County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Internal Service Fund – The Employee Insurance - Health Fund is used to account for the county's self-insured employee health program. Premiums charged to the various county funds and employee payroll deductions are placed in this fund to pay the claims of county employees.

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 Monroe County, and the city school system's share of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Monroe 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 Monroe County School Department reports the following fund type:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an internal service fund, used to account for the employees' health insurance program. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's internal service fund are charges for services. Operating expenses for the internal service fund include administrative expenses and employee benefits.

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

1. **Deposits and Investments**

For purposes of the Statement of Cash Flows, cash includes cash on deposit with the county trustee.

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Monroe County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Monroe County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables and Payables**

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.74 percent of the total taxes levied.

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

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

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

3. <u>Capital Assets</u>

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 five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings and Improvements	40
Other Capital Assets	5 - 20
Infrastructure	40

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are the accumulated decrease in fair value of hedging derivatives, the deferred charge on refunding, pension changes in experience, and pension contributions after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents 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 revenues are from the following sources: current and delinquent property taxes, pension changes in experience, pension changes in investment earnings, pension other deferrals, and various receivables for revenues, which do not meet the availability criteria in governmental funds.

5. **Compensated Absences**

It is the primary government's policy to permit employees to accumulate earned but unused vacation benefits. Vacation benefits granted through the discretely presented Monroe County School Department do not vest or accumulate and must be taken during the year or lost. There is no liability for unpaid accumulated sick leave since neither Monroe County nor the School Department has a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the primary government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. **Long-term Obligations**

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

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

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

7. **Net Position and Fund Balance**

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

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

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

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

Net pension assets on the government-wide Statement of Net Position is included in restricted net position in the account Restricted for Other Purposes for the primary government and in the account Restricted for Education for the discretely presented School Department.

As of June 30, 2015, Monroe County had $51,941,520 in outstanding debt for capital purposes for the discretely presented Monroe County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Sweetwater School System) based on an average daily attendance proration. This debt is a liability of Monroe County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Sweetwater School System. Therefore, Monroe 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 and the Board of Education are authorized to make assignments. Assigned fund balance in the General Fund consists primarily of amounts assigned for encumbrances. Assigned fund balance in the School Department's General Purpose School Fund consists of $54,335 for encumbrances, $101,190 for salary equity, and fund balance appropriated for use in the 2015-16 year budget totaling $496,598.

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 has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

8. <u>Restatement</u>

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing Monroe County's beginning net position has been recognized on the Statement of Activities totaling $316,622. In addition, a restatement decreasing the discretely presented School Department's beginning net position by $6,747,303 has been recognized in the Statement of Activities for liabilities of the pension agent plan ($298,776) and the pension cost-sharing plan ($6,448,527).

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

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

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

Primary Government

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

Discretely Presented Monroe County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2015, Monroe County reported the following significant encumbrances:

Funds	Description	Amount
Primary Government		
Major Funds:		
General	Clerk & Master Software	$ 26,200
Highway/Public Works	Vehicle	30,471

B. Fund Deficit

A deficit balance of $113,276 existed in unassigned fund balance of the School Federal Projects Fund of the discretely presented School Department. This deficit resulted from the failure to request reimbursement of certain amounts expended from the fund. Management is exploring options to liquidate this deficit.

C. Cash Shortages – Prior Years

Cash shortages totaling $20,651 existed in the Office of Sheriff at July 1, 2014. Details of those cash shortages were presented in the previous annual financial report. During the current year, County Commission authorized the writing off of these unliquidated cash shortages.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in certain major appropriation categories (the legal level of control) of the following funds:

Fund/Major Appropriation Category	Amount Overspent
Primary Government:	
General:	
General Government:	
County Commission	$ 3,058
Administration of Justice:	
Other Administration of Justice	104
Public Safety:	
County Coroner/Medical Examiner	5,553
Highway/Public Works:	
Highways:	
Other Charges	8,651

Fund/Major Appropriation Category (Cont.)		Amount Overspent
Discretely Presented School Department:		
School Federal Projects:		
Other Programs	$	150,961

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances except for the amount in the School Federal Projects Fund, which resulted in a deficit in unassigned fund balance as discussed in Note III.B.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2015.

B. Derivative Instruments

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

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
$6.255M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 6,255,000	2-19-09	6-1-20	Pay 4.27% receive 63.1% of LIBOR
$10.05M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	10,050,000	2-19-09	6-1-33	Pay 3.68% receive 63% 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 Classification	Changes in Fair Value Amount	Fair Value at June 30, 2015 Classification	Fair Value at June 30, 2015 Amount	6-30-15 Notional Amount
Governmental Activities					
Investment Derivative:					
Pay fixed interest rate swaps:					
$6.255M Swap	Investment Earnings	$ 101,177	Debt	$ (423,069)	$ 4,780,000
Cash Flow Hedge:					
$10.05M Swap	Deferred Outflow	(260,933)	Debt	(1,976,047)	10,050,000
Total		$ (159,756)		$(2,399,116)	$ 14,830,000

Derivative Swap Agreement Detail

$6.255M Swap:

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-A-4.

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 $6.255 million Series IV-A-4 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-A-4 bonds have since been refunded with a portion of the proceeds of the Series E-7-A bonds, and the interest rate swap is now associated with the Series E-7-A bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.27 percent and receives a variable payment computed as 63.1 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of $6.255 million, and the associated variable-rate bond had a $6.255 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series E-7-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association™ (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	4.27%
Variable payment from counterparty	% of LIBOR	-1.12%
Net interest rate swap payments		3.15%
Variable-rate bond coupon payments		0.06%
Synthetic interest rate on bonds		3.21%

Fair value. As of June 30, 2015, the swap had a negative fair value of $423,069. 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, should 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 derivative's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") 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 63.1 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 63.1 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The derivative 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.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2016	$ 670,000	$ 2,868	$ 150,418	$ 823,286
2017	705,000	2,466	129,334	836,800
2018	795,000	2,043	107,149	904,192
2019	1,270,000	1,566	82,132	1,353,698
2020	1,340,000	804	42,167	1,382,971
Total	$ 4,780,000	$ 9,747	$ 511,200	$ 5,300,947

$10.05M Swap:

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series V-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 $10.05 million Series V-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 V-C-2 bonds have since been refunded with a portion of the proceeds of the Series E-7-A bonds and the interest rate swap is now associated with the Series E-7-A bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.684 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of $10.05 million and the associated variable-rate bond had a $10.05 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series E-7-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association™ (SIFMA). The bonds and the related swap agreement mature on June 1, 2033. As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.68%
Variable payment from counterparty	% of LIBOR	-1.12%
Net interest rate swap payments		2.56%
Variable-rate bond coupon payments		0.06%
Synthetic interest rate on bonds		2.62%

Fair value. As of June 30, 2015, the swap had a negative fair value of $1,976,047. 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, should 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 derivative's fair value. In order to mitigate the potential for credit risk, the authority, on behalf of the county, entered into the interest rate swap agreement with Depfa Bank, which was rated "A+" by Standard and Poor's, AA- by Fitch Ratings and "Aa3" by Moody's Investor Service at the time the interest rate swap agreement was entered into. If Depfa's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2015, Depfa's credit rating had been downgraded and was rated "Ba1/A-/BBB" by Moody's, Standard and Poors, and Fitch Ratings, respectively. The counterparty has posted all collateral requirements with a third-party custodian.

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 derivative 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.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2016	$ 0	$ 6,030	$ 257,541	$ 263,571
2017	0	6,030	257,541	263,571
2018	0	6,030	257,541	263,571
2019	0	6,030	257,541	263,571
2020	0	6,030	257,541	263,571
2021-2025	1,600,000	29,670	1,267,206	2,896,876
2026-2030	4,900,000	19,770	844,377	5,764,147
2031-2033	3,550,000	4,350	185,789	3,740,139
Total	$ 10,050,000	$ 83,940	$ 3,585,077	$ 13,719,017

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	$ 800,348	$ 452,350	$ 0	$ 1,252,698
Construction in Progress	512,833	379,604	(497,765)	394,672
Total Capital Assets Not Depreciated	$ 1,313,181	$ 831,954	$ (497,765)	$ 1,647,370

Governmental Activities (Cont.):

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Depreciated:				
Buildings and Improvements	$ 8,644,921	$ 512,287	$ 0	$ 9,157,208
Roads and Bridges	170,061,577	0	0	170,061,577
Other Capital Assets	7,619,559	465,006	(277,763)	7,806,802
Total Capital Assets Depreciated	$ 186,326,057	$ 977,293	$ (277,763)	$ 187,025,587
Less: Accumulated Depreciation For:				
Buildings and Improvements	$ 3,904,926	$ 229,311	$ 0	$ 4,134,237
Roads and Bridges	67,677,485	4,251,542	0	71,929,027
Other Capital Assets	5,639,529	461,989	(266,512)	5,835,006
Total Accumulated Depreciation	$ 77,221,940	$ 4,942,842	$ (266,512)	$ 81,898,270
Total Capital Assets Depreciated, Net	$ 109,104,117	$ (3,965,549)	$ (11,251)	$ 105,127,317
Governmental Activities Capital Assets, Net	$ 110,417,298	$ (3,133,595)	$ (509,016)	$ 106,774,687

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

Governmental Activities:

General Government	$ 252,551
Finance	5,067
Public Safety	150,713
Public Health and Welfare	183,955
Highways	4,350,556
Total Depreciation Expense - Governmental Activities	$ 4,942,842

Discretely Presented Monroe County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	$ 864,562	$ 0	$ 864,562
Total Capital Assets Not Depreciated	$ 864,562	$ 0	$ 864,562
Capital Assets Depreciated:			
Buildings and Improvements	$ 73,989,132	$ 19,667	$ 74,008,799
Other Capital Assets	1,736,975	241,240	1,978,215
Total Capital Assets Depreciated	$ 75,726,107	$ 260,907	$ 75,987,014
Less: Accumulated Depreciation For:			
Buildings and Improvements	$ 25,208,550	$ 1,741,025	$ 26,949,575
Other Capital Assets	1,400,814	98,744	1,499,558
Total Accumulated Depreciation	$ 26,609,364	$ 1,839,769	$ 28,449,133
Total Capital Assets Depreciated, Net	$ 49,116,743	$ (1,578,862)	$ 47,537,881
Governmental Activities Capital Assets, Net	$ 49,981,305	$ (1,578,862)	$ 48,402,443

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

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

Governmental Activities:

Instruction	$ 8,678
Support Services	1,816,795
Operation of Non-instructional Services	14,296
Total Depreciation Expense - Governmental Activities	$ 1,839,769

D. 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	$	1,578
Highway/Public Works	General		23,499
Highway/Public Works	Nonmajor governmental		1,396

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

Interfund Transfers:

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

Discretely Presented Monroe County School Department

Transfer Out		Transfer In Nonmajor Governmental Fund
General Purpose School Fund	$	150,000

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

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

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

General obligation bonds, capital outlay notes, and 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
General Obligation Bonds	4.05 to 5 %	6-1-38	$ 18,350,000	$ 17,550,000
General Obligation (CAB) Bonds	4.6 to 4.95	4-1-18	999,236	547,146
Accreted Interest on (CAB) Bonds	4.6 to 4.95	4-1-18	N/A	635,875
Capital Outlay Notes	1.73	11-1-15	1,650,000	423,000
Other Loans - Variable Rate - Public Improvement and Refunding	Variable	6-1-39	31,965,000	29,710,000
Other Loans - Fixed Rate	0 to 2.45	6-1-31	10,671,820	8,531,454

During the 1998-99 year, Monroe County issued Capital Appreciation Bonds (CABs) totaling $999,236. These bonds accrete interest that is paid at bond maturity. Maturity dates for these bonds range from 2014 through 2018. As of June 30, 2015, approximately $635,875 of interest had accreted on the bonds.

In prior years, Monroe County entered into variable rate loan agreements with Public Building Authorities (PBAs) to finance capital projects for the county and the discretely presented Monroe County School Department. During the 2008-09 year, Monroe County issued a loan agreement (Series E-7-A) to refund all outstanding PBA loan agreements and to provide funds for capital projects. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, administrative, and debt remarketing) in connection with this loan. Monroe County has also entered into fixed rate loan agreements with a PBA. The following table summarizes loan agreements outstanding at June 30, 2015, including interest rates and other loan fees:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-15	Interest Type	Interest Rate as of 6-30-15	Other Fees on Variable Rate Debt
Blount County Public Building Authority					
Series E-7-A (Public Improvement and Refunding) (1)	$ 31,965,000	$ 29,710,000	Variable	.06%	1.06%
City of Clarksville Public Building Authority					
Fixed Rate Loan Program	10,600,000	8,480,000	Fixed	2.45	N/A
Ft. Loudoun Electric Cooperative					
Interest Free Loan	71,820	51,454	N/A	0	N/A
Total		$ 38,241,454			

(1) A portion of this issue refunded other issues for which outstanding interest rate swap agreements exist (Series IV-A-4 and Series V-C-2). See Note IV.B., Derivative Instruments.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2015, including interest payments and other loan fees, are presented in the following tables. Interest payments and other fees are estimated for the variable rate loan based on rates in effect at June 30, 2015.

Year Ending June 30	Notes Principal	Interest	Total
2016	$ 423,000	$ 3,659	$ 426,659
Total	$ 423,000	$ 3,659	$ 426,659

Year Ending June 30	Bonds Principal	Interest	Total
2016	$ 300,912	$ 995,726	$ 1,296,638
2017	288,266	1,003,372	1,291,638
2018	157,968	978,670	1,136,638
2019	0	736,638	736,638
2020	0	736,638	736,638
2021-2025	2,600,000	3,483,940	6,083,940
2026-2030	3,325,000	2,845,539	6,170,539
2031-2035	6,525,000	1,996,486	8,521,486
2036-2038	4,900,000	429,250	5,329,250
Total	$ 18,097,146	$ 13,206,259	$ 31,303,405

Year Ending June 30	Other Loans Principal	Interest (1)	Other Fees	Total
2016	$ 1,372,188	$ 633,436	$ 314,491	$ 2,320,115
2017	1,417,188	598,845	305,645	2,321,678
2018	1,512,188	563,125	296,322	2,371,635
2019	1,997,188	524,512	285,992	2,807,692
2020	2,072,188	470,646	270,522	2,813,356
2021-2025	8,340,514	1,915,573	1,152,390	11,408,477
2026-2030	9,710,000	1,150,233	829,235	11,689,468
2031-2035	7,025,000	223,650	441,805	7,690,455
2036-2039	4,795,000	6,276	110,570	4,911,846
Total	$ 38,241,454	$ 6,086,296	$ 4,006,972	$ 48,334,722

(1) Includes net interest rate swap payments discussed in Note IV.B., Derivative Instruments.

There is $8,964,210 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled $1,275, based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Accreted Interest on CAB Bonds	Notes	Compensated Absences
Balance, July 1, 2014	$ 18,415,894	$ 800,578	$ 861,358	$ 407,748
Additions	0	76,549	0	332,877
Reductions	(318,748)	(241,252)	(438,358)	(355,826)
Balance, June 30, 2015	$ 18,097,146	$ 635,875	$ 423,000	$ 384,799
Balance Due Within One Year	$ 300,912	$ 249,088	$ 423,000	$ 288,599

	Other Loans	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2014	$ 39,568,642	$ 169,659	$ 281,136
Additions	0	2,428	37,246
Reductions	(1,327,188)	(13,000)	(13,131)
Balance, June 30, 2015	$ 38,241,454	$ 159,087	$ 305,251
Balance Due Within One Year	$ 1,372,188	$ 14,847	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 58,246,612
Less: Balance Due Within One Year	(2,648,634)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 55,597,978

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

Discretely Presented Monroe County School Department

Changes in Long-term Obligations

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

Governmental Activities:

		Other Postemployment Benefits
Balance, July 1, 2014	$	5,239,967
Additions		1,431,599
Reductions		(817,784)
Balance, June 30, 2015	$	5,853,782
Balance Due Within One Year	$	0

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

F. **On-Behalf Payments**

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Monroe 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 $2,000. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Monroe County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Monroe 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 $144,696 and $32,150, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. **Industrial Development**

Monroe County entered into a contract with the Tennessee Valley Authority (TVA) for industrial development property. Under this contract, Monroe County has been awarded a warranty deed for approximately 145 acres of land to be used for industrial purposes. As Monroe County sells this property, one-half of the sale proceeds are to be paid to TVA; however, Monroe County may reduce its obligation to TVA by the value of certain road and shoreline maintenance services and police services the county provides to TVA.

V. OTHER INFORMATION

A. Risk Management

The county and the discretely presented Monroe County School Department are exposed to various risks related to general liability, property, casualty, workers' compensation, health, and accident.

Monroe County has established the Employee Health Insurance Fund for risks associated with the county employees' health insurance plan. The Employee Health Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county retains the risk of loss to a limit of $65,000 for each employee. The county has obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

All full-time employees of the primary government are eligible to participate in the health program. Retirees are not allowed to participate in the health program. A premium charge for the health program is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was $1,446,610 at June 30, 2015. Liabilities of this fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Health Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claims adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

<u>Employee Insurance - Health Fund</u>

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Liability Balance at Fiscal Year-end
2013-2014	$ 90,938	$ 1,682,148	$ (1,653,715)	$ 119,371
2014-2015	119,371	1,757,786	(1,800,215)	76,942

The discretely presented Monroe County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *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.

The county and the School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county and the School Department joined 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 county and the School Department pay annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it 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 Events

On November 24, 2015, Monroe County issued $7,810,000 in general obligation refunding bonds.

On November 17, 2015, the Tellico Area Services Systems (TASS) paid the remaining balance on its public building authority loan. Monroe County had been contingently liable for this debt. See Note V.D., for further discussion of TASS debt.

D. Contingent Liabilities

The county is involved in several pending lawsuits. Based on letters from attorneys, management believes that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

Monroe County issued a public building authority loan agreement and a State of Tennessee revolving loan agreement for the benefit of the Tellico Area Service System (TASS) joint venture. Those loans are being retired from revenues of TASS and are not reflected on the financial statements of the county. Monroe County would become liable for these loan agreements in the event of default by TASS. As of June 30, 2015, future principal and interest requirements for which the county is contingently liable were $330,000 and $14,735, respectively, for the public building authority loan, and $3,231,107 and $381,796, respectively, for the State of Tennessee revolving loan. As discussed in the previous note, subsequent to June 30, 2015, TASS paid off its public building authority loan agreement. This eliminated the principal and interest requirements for which Monroe County was contingently liable.

E. Changes in Administration

On August 31, 2014, Bill Bivens left the Office of Sheriff and was succeeded by Randy White.

On October 15, 2014, Randy White left the Office of Sheriff and was succeeded by Tommy Jones, Jr.

F. Landfill Postclosure Care Costs

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

State and federal laws and regulations require the 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. Monroe County closed its sanitary landfill in 1999. The $159,087 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

The Tellico Area Services System (TASS), a regional water, sewer, and solid waste system, is jointly owned by Monroe and Loudon counties. TASS comprises the County Boards of Public Utilities of each of the counties. Monroe County has control over budgeting and financing the joint venture only to the extent of representation by its County Board of Public Utility. As noted above, Monroe County is contingently liable for debt issued by the county on behalf of this joint venture.

The Tenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Tenth Judicial District; Monroe, Bradley, McMinn, and Polk counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Monroe County made no contributions to the DTF for the year ended June 30, 2015.

Monroe County does not have an equity interest in the above-noted joint ventures. Complete financial statements for TASS and the DTF can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Tellico Area Services System
P.O. Box 277
Vonore, Tennessee 37885-0277

District Attorney General
Tenth Judicial District
P.O. Box 647
Athens, Tennessee 37371-0647

H. Jointly Governed Organizations

Monroe County, in conjunction with Bradley, McMinn, and Polk counties, participates in the Southeast Tennessee Community Corrections Program, which provides alternative sentencing for selected nonviolent offenders. The program's 20-member board comprises the county mayors and the sheriffs of each of the four counties, the district attorney, and one member from a nonprofit organization. The remaining ten members are appointed by the board from the private sector. The program is funded by the Tennessee Department of Correction, and the county does not retain any ongoing financial interest or responsibility for the program.

Blount County, Loudon County, Monroe County, and various city school systems jointly govern the Little Tennessee Valley Educational Cooperative. The cooperative was established pursuant to an agreement between the participating governments and is governed by a board of control consisting of the director of schools of each participating government, one representative appointed by the County Commission or City Council of each participating government, and one member appointed by the Board of Education of each participating government. The cooperative was organized in order to combine resources to provide services for special education programs such as the Birth-to-Three program for handicapped children, a child development program for language and behaviorally delayed older students, and an occupational and physical therapy program, as well as psychological services. The cooperative provides educational services on a contractual basis to the various school systems. The systems may, but are not required to contract for these services.

I. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Monroe County and non-certified employees of the discretely presented Monroe 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 51.45 percent and the non-certified employees of the discretely presented School Department comprise 48.55 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	213
Inactive Employees Entitled to But Not Yet Receiving Benefits	303
Active Employees	447
Total	963

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. Monroe 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 of Monroe County were $884,864 based on a rate of 6.52 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Monroe County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Monroe 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 Monroe 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	$ 32,783,902	$ 31,300,967	$ 1,482,935
Changes for the Year:			
Service Cost	$ 1,107,534	$ 0	$ 1,107,534
Interest	2,495,328	0	2,495,328
Differences Between Expected and Actual Experience	0	0	(1,154,371)
Contributions-Employer	(1,154,371)	867,537	(867,537)
Contributions-Employees	0	657,563	(657,563)
Net Investment Income	0	5,207,555	(5,207,555)
Benefit Payments, Including Refunds of Employee Contributions	(1,240,797)	(1,240,797)	0
Administrative Expense	0	(18,010)	18,010
Other Changes	0	0	0
Net Changes	$ 1,207,694	$ 5,473,848	$ (4,266,154)
Balance, June 30, 2014	$ 33,991,596	$ 36,774,815	$ (2,783,219)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	51.45%	$ 17,488,676	$ 18,920,642	$ (1,431,966)
School Department	48.55%	16,502,920	17,854,173	(1,351,253)
Total		$ 33,991,596	$ 36,774,815	$ (2,783,219)

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

Monroe County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 1,716,533	$ (2,783,219)	$ (6,499,088)

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

Pension Income. For the year ended June 30, 2015, Monroe County recognized pension income of $156,644.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Monroe 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	$ 961,976
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,279,997
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	884,864	N/A
Total	$ 884,864	$ 3,241,973

(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	$ 586,661	$ 1,667,995
School Department	298,203	1,573,978
Total	$ 884,864	$ 3,241,973

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

Year Ending June 30	Amount
2016	$ (762,394)
2017	(762,394)
2018	(762,394)
2019	(762,394)
2020	(192,395)
Thereafter	0

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

Discretely Presented Monroe County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Monroe County and non-certified employees of the discretely presented Monroe 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 51.45 percent and the non-certified employees of the discretely presented School Department comprise 48.55 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were $26,631, 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 Monroe 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 Monroe 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	$ 26,631	N/A

The Monroe County School Department's employer contributions of $26,631 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ended June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Monroe County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were $1,611,147, 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 Monroe County School Department reported an asset of $66,624 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 Monroe County School Department's proportion of the net pension asset was based on Monroe 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, Monroe County School Department's proportion was .409997. The proportion measured at June 30, 2013, was .478693 percent.

Pension Income. For the year ended June 30, 2015, the Monroe County School Department recognized a pension income of $218,634.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Monroe 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	$ 161,743	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	5,489,282
Changes in Proportion of Net Pension Liability (Asset)	0	968,978
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	1,611,147	N/A
Total	$ 1,772,890	$ 6,458,260

The Monroe County School Department's employer contributions of $1,611,147 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	$ (1,506,860)
2017	(1,506,860)
2018	(1,506,860)
2019	(1,506,860)
2020	(134,539)
Thereafter	(134,539)

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

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

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 11,236,662	$ (66,623)	$ (9,424,517)

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

2. **Deferred Compensation**

Teachers hired after July 1, 2014, by the discretely presented Monroe County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Monroe County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Monroe County School Department contributed $33,005 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

J. **Other Postemployment Benefits (OPEB)**

Postemployment Healthcare Plan

Plan Description

Monroe County and the Monroe County School Department participate in the state-administered Medicare Supplement Plan. In addition, the School Department participates in the state-administered 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 8-27-302, *Tennessee Code Annotated* (*TCA*), for local education employees and Section 8-27-701, *TCA*, for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the 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 plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for teachers ranges from zero to 45 percent based on the years of service. During the year ended June 30, 2015, the discretely presented Monroe County School Department contributed $613,584 for postemployment benefits, and the primary government contributed $2,175.

Annual OPEB Cost and Net OPEB Obligation

	Medicare Supplement Plans		Local Education Group Plan
	Primary Government	School Department	
ARC	$ 26,000	$ 112,000	$ 1,110,000
Interest on the NOPEBO	11,246	26,517	183,082
Adjustment to the ARC	(10,956)	(25,834)	(178,366)
Annual OPEB cost	$ 26,290	$ 112,683	$ 1,114,716
Amount of contribution	(2,175)	(8,888)	(604,696)
Increase/decrease in NOPEBO	$ 24,115	$ 103,795	$ 510,020
Net OPEB obligation, 7-1-14	281,136	662,927	4,577,040
Net OPEB obligation, 6-30-15	$ 305,251	$ 766,722	$ 5,087,060

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Fiscal Year-end
Primary Government				
6-30-13	Medicare Supplement	$ 62,510	4 %	$ 258,869
6-30-14	"	25,267	12	281,136
6-30-15	"	26,290	8	305,251
School Department				
6-30-13	Medicare Supplement	123,906	6	562,098
6-30-14	"	108,579	7	662,927
6-30-15	"	112,683	8	766,722
6-30-13	Local Education Group	1,044,955	55	4,147,500
6-30-14	"	1,076,273	60	4,577,040
6-30-15	"	1,114,716	54	5,087,060

Funded Status and Funding Progress

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

	Medicare Supplement Plans		Local Education Group Plan
	Primary Government	School Department	
Actuarial valuation date	7-1-13	7-1-13	7-1-13
Actuarial accrued liability (AAL)	$ 215,000	$ 1,569,000	$ 9,543,000
Actuarial value of plan assets	$ 0	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 215,000	$ 1,569,000	$ 9.543,000
Actuarial value of assets as a % of the AAL	0%	0%	0%
Covered payroll (active plan members)	N/A	N/A	$ 24.869.579
UAAL as a % of covered payroll	N/A	N/A	38%

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education 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. The annual healthcare cost trend rate for the Medicare Supplement Plan was six percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.2 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.

K. Office of Central Accounting, Budgeting, and Purchasing

Monroe County operates under 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.

L. Purchasing Laws

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by her to serve as the county purchasing agent. The finance director serves as the purchasing agent for Monroe County. The Financial Management Committee established a policy that purchases exceeding $10,000 for the County Mayor's Office and the Monroe County School Department are to be made on a competitive bid basis. Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, *Tennessee Code Annotated*. Competitive bids are also required on highway purchases exceeding $10,000.

VI. OTHER NOTES – DISCRETELY PRESENTED MONROE COUNTY WOMEN'S WELLNESS AND MATERNITY CENTER

A. Summary of Significant Accounting Policies

The Monroe County Women's Wellness and Maternity Center complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

1. Reporting Entity

The center, a component unit of Monroe County, Tennessee, is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Service Code. The corporation was formed in 1983 to provide prenatal care and counseling, to provide a lower cost option of delivery for a medically-indicated obstetrical group, and to increase community support and awareness of prenatal health care needs through community education. The center is licensed by the State of Tennessee and accredited by the National Association of Childbearing Centers.

The center is governed by eight directors appointed by the Monroe County Board of County Commissioners. The center leases its building facility from Monroe County, Tennessee, pursuant to an agreement dated December 1, 1983. Before the issuance of most debt instruments, the center must obtain approval of the Monroe County Board of Commissioners. The center's board employs an administrator and staff to conduct the daily operations of the center.

In evaluating how to define the government for financial reporting purposes, management has considered the primary government and all potential component units by applying the definitions and the criteria set forth by GASB Statement No. 14, as amended by GASB Statements No. 39 and No. 61.

The financial statements of the center provide an overview of the entity based on financial accountability. The center consists of all the organizations that make up its legal entity – all funds, departments, and offices that are not legally separate.

A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria applicable to GASB Statement No. 39 and No. 61 for component units, the center has no financial accountability for any component units. Therefore, the financial reporting entity is limited to those funds, departments, and offices, which comprise the center's legally adopted jurisdictions.

2. <u>Basis of Presentation</u>

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position display information about the reporting center as a whole. Activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are financed primarily by user charges and the measurement of financial activity on net income measurement similar to private sector.

3. <u>Measurement Focus and Basis of Accounting</u>

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

<u>Measurement Focus</u>

On the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, fund activities are presented using the economic resources measurement focus. The accounting objective of this measurement focus is the determination of operating income, change in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

<u>Basis of Accounting</u>

In the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, amounts are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Allocations of costs such as depreciation are recorded in the funds.

4. Assets, Liabilities, and Equity

Cash

For the purpose of the Statement of Net Position, cash includes all demand, savings accounts, and certificates of deposits of the center. For the purpose of the proprietary fund Statement of Cash Flows, cash and cash equivalents include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

In the basic financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based on historic trends and the periodic aging of accounts receivable. Major receivable balances for the center activities include patient service revenues.

Capital Assets and Depreciation

In the basic financial statements, capital assets are accounted for and capitalized as capital assets. All capital assets are valued at historical costs or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Assets	Years
Leasehold Improvements	40
Equipment	5 – 10
Furniture	5 – 10
Alarm System	10
Linens	5

Compensated Absences

Annual Leave

Full-time employees receive annual leave after six months of employment at .5 days per month. Then a one day per month accrual is effective through year five of employment. In years six through ten, annual leave accrues at a rate of 1.42 days per month. In years ten through 20, annual leave accrues at a rate of 1.75 days per month. In year 20 and beyond, employees earn two days per month. Upon termination, the employee is paid for days remaining in the annual leave account (maximum 160 hours). Part-time permanent employees working at least 16 hours and no more than 36 hours per week will receive the same benefits, based on the percentage of their hours in relationship to full-time hours (37.5). The center's liability for accrued compensated absences as of June 30, 2015, is $12,916.

<u>Sick Leave</u>

An employee accumulates paid sick days the same as annual leave is accrued for full and part-time employees. A maximum of 20 days of paid sick leave may be accrued. Employees who resign for reasons other than health-related will not receive payment for accumulated sick leave.

Equity Classifications

Equity is classified as net position and displayed in two 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. Unrestricted net position – All other assets, liabilities, deferred outflows of resources, and deferred inflows of resources that do not meet the definition of "restricted" or "investment in capital assets" are classified as unrestricted.

Deferred inflows and deferred outflows of resources are attributable in the acquisition, construction, or improvement of capital assets are also included as a component of net investment in capital assets.

5. <u>Revenues and Expenses</u>

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. Marketing expenditures are expensed as incurred.

Operating Revenues/Expenses

Operating revenues and expenses generally result from providing services in connection with the proprietary fund's ongoing operations. The principal operating revenue of the center is revenue from services provided to patients for birthing services, prenatal care, and counseling services.

Nonoperating Revenues/Expenses

Nonoperating revenues/expenses are all other revenues and expenses not meeting the definition of operating revenues/expenses above. The center's principal nonoperating revenues (expenses) are interest income (expense), contributions, grants, and foundation awards.

6. Stewardship, Compliance, and Accountability

Fund Accounting Requirements

The center complies with all state and local laws and regulations pertaining to its fund accounting requirements.

Use of Estimates

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

Advertising

Marketing costs are expensed as incurred.

Annual Budget

An annual budget is adopted by the center and approved by the board of directors. The budget is based on expected expenses and estimated revenue resources. The budgetary basis is the accrual basis of accounting. If changes to estimated amounts become evident during the fiscal year, the board may amend the budget. All budget items lapse at the end of the fiscal year.

7. Implementation of New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011.

In addition, the GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Since this statement closely correlates to Statement No. 63, the center has elected to early implement the provisions of this statement.

B. Capital Assets and Depreciation

All capital assets are valued at historical cost. Depreciation is provided over the assets' estimated useful lives using the straight-line basis. Capital assets and depreciation are as follows:

	Capital Assets		
	Balance 7-1-14	Reclassi- fications/ Additions	Balance 6-30-15
Depreciable:			
Leasehold Improvements	$ 433,744	$ 0	$ 433,744
Equipment	167,865	0	167,865
Furniture	31,945	0	31,945
Alarm System	3,017	0	3,017
Linens	361	0	361
Total	$ 636,932	$ 0	$ 636,932

	Accumulated Depreciation		
	Balance 7-1-14	Additions	Balance 6-30-15
Leasehold Improvements	$ 79,752	$ 10,633	$ 90,385
Equipment	141,332	2,587	143,919
Furniture	15,529	462	15,991
Alarm System	3,017	0	3,017
Linens	361	0	361
Total	$ 239,991	$ 13,682	$ 253,673

Depreciation expense for the fiscal year ended June 30, 2015, totaled $13,682.

C. Cash

In accordance with the board of director's approval, the center maintains checking and savings accounts to handle the day-to-day operations. Excess monies are invested in short-term certificates of deposit.

Investments are carried at fair value.

The carrying amount of the center's deposits at June 30, 2015, was $27,505. Accounts on deposit with financial institutions were fully insured at June 30, 2015, or collateralized with securities held by the Tennessee Investment Collateral Pool.

D. Employees Retirement Plan

The center has established a tax-deferred annuity plan on behalf of all eligible employees (after 90 days) working at least 25 hours per week. Part-time employees working 16 or more hours weekly may contribute to the retirement plan, but no employer contributions will be made. Section 403(b) of the Internal Revenue Service Code allows employees of a tax-exempt Section 501(c)(3) organization to exclude from gross income amounts applied to the tax deferred annuity plan. Contributions to the plan are made on a voluntary basis, and full-time employees receive a four percent match from the center. Retirement plan expense for the fiscal year ended June 30, 2015, totaled $3,896.

E. **Risk Financing Activities**

It is the policy of the center to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers' compensation, malpractice, and employee health insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

F. **Note Payable**

In February 2008, the center borrowed $362,200 from the USDA Rural Development for building construction/improvements. The note is payable at $1,576 per month, including interest of 4.125 percent, and matures in 2046. A schedule of future payments is as follows:

Fiscal Year Ending June 30	Note Principal	Note Interest	Total
2016	$ 5,474	$ 13,438	$ 18,912
2017	5,704	13,208	18,912
2018	5,944	12,968	18,912
2019	6,194	12,718	18,912
2020	6,454	12,458	18,912
Subtotal	$ 29,770	$ 64,790	$ 94,560
2021	$ 6,725	$ 12,187	$ 18,912
2022	7,008	11,904	18,912
2023	7,303	11,609	18,912
2024	7,610	11,302	18,912
2025	7,930	10,982	18,912
Subtotal	$ 36,576	$ 57,984	$ 94,560
2026	$ 8,263	$ 10,649	$ 18,912
2027	8,610	10,302	18,912
2028	8,972	9,940	18,912
2029	9,350	9,562	18,912
2030	9,743	9,169	18,912
Subtotal	$ 44,938	$ 49,622	$ 94,560

Fiscal Year Ending June 30	Note (Cont.) Principal	Interest	Total
2031	$ 10,152	$ 8,760	$ 18,912
2032	10,579	8,333	18,912
2033	11,024	7,888	18,912
2034	11,487	7,425	18,912
2035	11,970	6,942	18,912
Subtotal	$ 55,212	$ 39,348	$ 94,560
2036	$ 12,473	$ 6,439	$ 18,912
2037	12,998	5,914	18,912
2038	13,544	5,368	18,912
2039	14,113	4,799	18,912
2040	14,707	4,205	18,912
Subtotal	$ 67,835	$ 26,725	$ 94,560
2041	$ 15,325	$ 3,587	$ 18,912
2042	15,969	2,943	18,912
2043	16,641	2,271	18,912
2044	17,340	1,572	18,912
2045	18,069	843	18,912
Subtotal	$ 83,344	$ 11,216	$ 94,560
2046	$ 10,586	$ 135	$ 10,721
Subtotal	$ 10,586	$ 135	$ 10,721
Total	$ 328,261	$ 249,820	$ 578,081

Schedule of changes in long-term debt:

Beginning balance, 7-1-14	$ 333,514
Payments	(5,253)
Balance, 6-30-15	$ 328,261

G. **Grants and Foundation Awards**

The center received the following grants, awards, and donations during the year:

Grants:	
State of Tennessee:	
Safety Net	$ 7,000
Local:	
Connectivity	2,000
Strong Start	28,100
Total	$ 37,100

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.