OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P – "A+"
(See "MISCELLANEOUS- RATING" herein)

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.)

$4,715,000
JOHNSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

Dated: September 21, 2016. Due: June 1, as shown below.

The $4,715,000 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 June 1, 2017 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 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 Regions Bank, Nashville, Tennessee, the registration and paying agent (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.

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

Due (June 1)	Amount	Interest Rate	Yield		CUSIP**	Due (June 1)	Amount	Interest Rate	Yield		CUSIP**
2017	$ 75,000	2.00%	0.60%		478880 LX3	2023	$ 240,000	2.00%	1.10%	c	478880 MD6
2018	45,000	2.00	0.75		478880 LY1	2024	245,000	2.00	1.20	c	478880 ME4
2019	45,000	2.00	0.85		478880 LZ8	2025	255,000	2.00	1.30	c	478880 MF1
2020	230,000	2.00	0.90		478880 MA2	2026	1,000,000	2.00	1.40	c	478880 MG9
2021	230,000	2.00	1.00		478880 MB0	2027	1,045,000	2.00	1.50	c	478880 MH7
2022	235,000	2.00	1.05	c	478880 MC8	2028	1,070,000	2.00	1.60	c	478880 MJ3

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 Perry Stout, 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 21, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

August 24, 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.

JOHNSON COUNTY, TENNESSEE

OFFICIALS

County Mayor	Larry Potter
County Clerk	Tammy Fenner
Accounting and Budget Director	Russell Robinson
Assessor of Property	Matthew Lewis
County Trustee	Lisa Crowder
County Attorney	Perry Stout

BOARD OF COUNTY COMMISSIONERS

Bill Adams
Eugene Campbell
Robert Grindstaff
Evelyn Hill
Huey Long
George Lowe
Jimmy Lowe
Steve Marshall
Scott Mast
Gina Meade
Christopher Pierce
Tommy Poore
Bill Roark
Rick Snyder
Kenneth Taylor

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

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

Securities Offered.......................... $4,715,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") of the County, dated the date of issuance September 21, 2016. The Bonds are maturing each June 1 beginning June 1, 2017 through June 1, 2028, inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information.

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

Purpose .... The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Debt 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 are subject to optional redemption prior to maturity on or after June 1, 2021, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".

Tax Matters.................................... In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining 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 have been designated or are deemed designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.

Rating... Standard & Poor's: "A+". See the section entitled "MISCELLANEOUS - Rating" for more information.

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

Underwriter.................................... FTN Financial Capital Markets, Memphis, Tennessee.

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 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 the OFFICIAL STATEMENT contact Larry Potter, County Mayor, 222 West Main Street, Mountain City, Tennessee 37683, Telephone: (615) 563-2320, or the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508, Knoxville, Tennessee, 37933, Telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances
For the Fiscal Year Ended June 30

	2011	**2012**	**2013**	**2014**	**2015**
Beginning Fund Balance	$2,207,995	$1,956,942	$1,974,555	$1,643,925	$2,035,603
Revenues	6,537,947	7,640,394	6,685,643	7,527,966	6,923,109
Expenditures	6,333,486	7,164,424	6,545,355	6,665,617	6,589,180
Excess (Deficiency) of Revenues Over Expenditures	204,461	475,970	140,288	862,349	33,929
Insurance Recovery	13,148	14,901	6,960	17,549	26,833
Transfers In	-	-	-	-	-
Transfers Out	(468,662)	(473,258)	(477,878)	(488,220)	(492,168)
Ending Fund Balance	**$1,956,942**	**$1,974,555**	**$1,643,925**	**$2,035,603**	**$1,904,197**

Source: Comprehensive Annual Financial Reports of the County.

$4,715,000
JOHNSON 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 Johnson County, Tennessee (the "County") of $4,715,000 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 July 21, 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 section "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 outstanding General Obligation Refunding Bonds, Series 2010, dated January 25, 2010 (the "Outstanding Debt") maturing on June 1, 2020 and thereafter on June 1, 2019.

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

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery September 21, 2016. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2017. 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

Bonds maturing on June 1, 2022 and thereafter shall be subject to optional redemption prior to maturity at the option of the County on June 1, 2021 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

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

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

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

NOTICE OF REDEMPTION

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 an escrow agent designated by the County under a Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein to pay the Outstanding Debt to its 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 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 these purposes Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, in 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 section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

S&P 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 24, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated August 17, 2016.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $4,811,073.22 (consisting of the par amount of the Bonds, plus a reoffering premium of $129,823.25 less an underwriter's discount of $33,750.03) or 102.037608% 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 and operating data relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by SEC Rule 15c2-12. 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 SEC Rule 15c2-12.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-6;

2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-7 and B-8;

3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as shown on page B-9;

4. Information about the Bonded Debt Service Requirements – Solid Waste Fund as of the end of such fiscal year as shown on page B-10;

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

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

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

8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-19; and

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

   Any or all of the items listed above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the County or related public entities, which have been submitted to each of the 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/ Larry Potter
County Mayor

ATTEST:

/s/ Tammy Fenner
County Clerk

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 Johnson County, Tennessee (the "Issuer") of the $4,715,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") dated September 21, 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

19841987.1

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Johnson County (the "County") is the most eastern county of Tennessee about a day's drive from two-thirds of the nation's population. The County lies in the extreme northeast corner of Tennessee between Abingdon, VA, Boone, NC, and the Tri-Cities area of Bristol, Johnson City, and Kingsport, TN. Johnson County is on the western slope of the Appalachian Mountains and is bounded by Virginia to the north and North Carolina to the south and east. Carter and Sullivan Counties form its western border.

Mountain City (the "City), the county seat, is approximately 10 miles from the North Carolina border, approximately 34 miles east of Bristol, Tennessee and Bristol, Virginia, approximately 35 miles northeast of Johnson City, Tennessee and approximately 130 miles northeast of Knoxville, Tennessee. According to the 2010 Census, Johnson County had a population of 18,244 and Mountain City had a population of 2,531.

A predominantly rural county, the residents benefit from the close proximity to the Tri-Cities Area located west of the County in Tennessee. The many hospitals, colleges and universities located in the Tri-Cities are just a short drive from the County. The Cities of Kingsport in Sullivan County, the Tennessee City of Bristol in Sullivan County and the City of Johnson City in Washington, Sullivan and Carter Counties all make up the Tri-Cities Combined Statistical Area.

GENERAL

Johnson County has an approximate land area of 299 square miles. The leading agricultural products are tobacco, grain and cattle.

The County Government provides a normal array of public services characteristic of county governments in Tennessee including a county-wide educational system, highway construction and maintenance, judicial services and detention facilities, industrial recruitment and development and solid waste disposal. The County is governed by a fifteen-member Board of County Commissioners elected by direct vote of district residents and a popularly elected County Mayor who serves as the ceremonial head and chief executive and fiscal officer of the County.

TRANSPORTATION

The County is located in the center of 4 interstate roads, south of I-81, north of I-40, west of 1-77 and east of I-26. Access to Interstate 81 is 21 miles from Mountain City. U.S. Highway 421 and State Highways 34, 67, 91, 133, 167 and 418 pass through the County. General aviation is served by the Johnson County/Mountain City Airport with a 4,500-foot asphalt runway. Commercial air service is through the Tri-Cities Regional Airport that is approximately 50 miles east of Mountain City. The Tri-Cities Airport has 50 daily commercial flights, both jet and commuter, to five major hubs connecting to domestic and international destinations.

EDUCATION

The *Johnson County School System* provides programs for K-12, Head Start, pre-school, disabled, and adult students. There are seven schools in total: five elementary schools, one middle school and one senior high school. The system had a fall 2014 enrollment of 2,238 students and 146 teachers. The system is one of only four school systems in Tennessee operating the Head Start Program with certified teachers as instructors.

Source: Tennessee Department of Education.

There are many opportunities for higher education available to Johnson County residents in nearby counties in Tennessee, Virginia and North Carolina. East Tennessee State University, King College, National Business College, Northeast State Technical Community College, Milligan College and Tennessee Technology Center at Elizabethton are all located in nearby Carter, Sullivan and Washington Counties in Tennessee. Appalachian State University in Boone, North Carolina and Virginia Intermont College in Bristol, Virginia are also very close to the County.

Northeast State Technical Community College was founded in 1966 as the Tri-Cities State Area Vocational-Technical. Northeast State is located at Blountville in Sullivan County, Tennessee, and had a fall 2014 enrollment of 5,865 students. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The College serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray, and Kingsport.

Source: Northeast State Technical Community College.

The Tennessee Technology Center at Elizabethton. The Tennessee Technology Center at Elizabethton 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 Elizabethton serves the northeast region of the state including Carter, Johnson, Sullivan, Unicoi and Washington Counties. The Technology Center at Elizabethton began operations in 1963, and the main campus is located in Carter County. In October of 1999, the school opened an instructional site in Mountain City, offering Business Systems Technology, and later in Kingsport, offering classes in Practical Nursing. The fall 2013 enrollment was 977 students.

Source: Tennessee Technology Center at Elizabethton and Carter County.

HEALTHCARE

Johnson County Community Hospital (the "JCCH"). Located in Mountain City, Johnson County Community Hospital offers hometown inpatient care coupled with a state-of-the-art 24-hour emergency department. The $4.1 million facility opened in 1998 by Mountain States Health Alliance to serve the community after the closing of the Johnson County Hospital. Serving the upper northeast tip of Tennessee as well as parts of North Carolina and Southwest Virginia, the center offers outpatient and primary care services provided by Johnson County Medical Group. A dedicated staff of physicians, physical therapists and other healthcare professionals provide numerous services including cardiac rehabilitation, respiratory therapy, as well as diagnostic services including CT scans, ultrasound, nuclear medicine, mammography, physical therapy and laboratory services. The JCCH outreach personnel provide health education at community events and onsite influenza vaccines to local industry.

Founded in 1998, Mountain States Health Alliance is a Johnson City-based healthcare provider in the Tri-State region, with hospitals and healthcare facilities in Tennessee, Virginia, Kentucky, and North Carolina. The healthcare system includes 14 facilities.

Source: Mountain States Health Alliance.

The nearby Tri-Cities area (Johnson City, Kingsport and Bristol) has ten acute-care hospitals many other healthcare facilities. Mountain States Health Alliance (the "MSHA") is based on Johnson City and has six open hospitals with two under construction in Johnson City. MSHA also has two facilities in Kingsport, the Indian Path Medical Center and the Indian Path Pavilion. Wellmont Health System has several facilities in the area. Kingsport has the Holston Valley Medical Center. Bristol has four Wellmont facilities: the Bristol Regional Medical Center (an acute-care hospital), the Ridgeview Pavilion (a psychiatric facility), the Wellmont Hospice House and a Wellmont Wellness Center. The national healthcare system Health South also has a facility in the area, the HealthSouth Rehabilitation Hospital of Kingsport. There is also a hospital for veterans in Johnson City, the James H. Quillen VA Medical Center at Mountain Home. In addition, the East Tennessee State University located in Johnson City has a College of Medicine that brings specialties to the area normally not available in a community of this size.

MANUFACTURING AND COMMERCE

The following is a list of the major employers located in Johnson County:

Company	Product	Employees
Northeast Correctional Complex	Corrections	503
State of Tennessee	Government	435
Johnson County Board of Education	County Education	392
Parkdale Mills	Ring Spun Yarn	360
Parkdale Mills	Textiles	330
Maymead Company	Mining & Paving	103
Phoenix Medical Products	Disposable Medical Equipment	99
NN Ball & Roller, Inc.	Stainless Steel Ball Bearings	90
Mountain City Lumber	Hard and Soft Wood Sawing	75
Mountain City Hardwoods	Kiln Dried Lumber	50
City of Mountain City	Government	43
Shoun Lumber Company	Saw Mill	38

Source: The County and the Business Journal of the Tri-Cities - 2015.

EMPLOYMENT INFORMATION

The unemployment rate for the County as of April 2016 was 3.6% representing 7,170 persons employed with a labor force of 7,440. The following chart shows unemployment trends for the County, State and Country for years 2011 through 2015.

	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%
Johnson County	**12.0%**	**9.8%**	**9.9%**	**7.0%**	**5.8%**
Index vs. National	135	121	134	113	109
Index vs. State	130	123	121	104	100

Source: Tennessee Department of Labor and Workforce Development.

ECONOMIC DATA

	Per Capita Personal Income				
	2010	**2011**	**2012**	**2013**	**2014**
National	$40,277	$42,453	$44,266	$44,438	$46,049
Tennessee	$35,601	$37,323	$39,137	$39,312	$40,457
Johnson County	**$24,776**	**$25,622**	**$26,859**	**$27,708**	**$28,837**
Index vs. National	62	60	61	62	63
Index vs. State	70	69	69	70	71

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

Social and Economic Characteristics

	National	**Tennessee**	**Johnson County**
Median Value Owner Occupied Housing	$175,700	$139,900	$100,800
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	74.2%
% Persons with Income Below Poverty Level	14.80%	18.30%	26.4%
Median Household Income	$53,482	$44,621	$31,711

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

TOURISM

The County has a rich history that is exhibited through several festivals and museums. The Trade Days Festival celebrates Appalachian life, both past and present in the community of Trade (the oldest community in Tennessee). The Shady Valley Cranberry Festival has been billed as the "Best little festival in Tennessee". The day long festivities at the school grounds include live country, gospel and bluegrass music; and some of the best food and local crafts, children activities include Star Amusements plus much more. The Butler and Watauga Valley Heritage Museum, open year round, was built after the Watauga Reservoir flooded the town of Butler.

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 Johnson County in the Cherokee National Forest. 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.

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 Counties along the North Carolina border. The 640,000-acre forest is the largest tract of public land in Tennessee. 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. 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.

Source: USDA Forest Service.

Red Tail Mountain. Red Tail Mountain is a 720-acre mountain community featuring a golf course with breathtaking views and beautiful vistas. Located in Mountain City, Red Tail Mountain has been carefully designed with a vast array of activities and amenities, certain to entertain all ages. And where, streams, lakes and nature trails beckon to outdoor adventure enthusiasts. A community of home and home sites built with a level of uncompromising standards that incorporates authentic mountain craftsmanship.

Source: Red Tail Mountain Resort.

Watauga Reservoir extends 16 miles east from Watauga Dam toward the North Carolina border through Carter and Johnson Counties. The lake was formed by a Tennessee Valley Authority dam in 1941 of the Watauga River along the western edge of Johnson County. It has a shoreline of 109 miles. Watauga holds the distinction of being the highest reservoir (more than 1,900 feet above sea level) in the Tennessee River system. The reservoir is operated for many uses, including flood control, power generation, water quality, and aquatic ecology. Also, there are over eight white water rafting companies nearby that offer all levels of difficulty.

Source: Tennessee Valley Authority.

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JOHNSON COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE		DUE DATE	INTEREST RATE(S)		JUNE 30, 2016 OUTSTANDING
$5,660,000 General Obligation Refunding Bonds, Series 2010		June 2028	Fixed		4,815,000
$336,161 EESI Loan, Series 2010		April 2017	Zero		40,013
$6,470,000 General Obligation Refunding Bonds, Series 2015	(2)	June 2025	Fixed		5,810,000
TOTAL BONDED DEBT					$ 10,665,013
$4,715,000 General Obligation Refunding Bonds, Series 2016		June 2028	Fixed	(3)	4,715,000
Less: Series 2010 Bonds					(4,325,000)
Less: Bonds Payable from Solid Waste /Sanitation Fund					(314,000)
NET BONDED DEBT					$ 10,741,013

NOTES:
(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) $314,000 Payable from Solid Waste/Sanitation Fund.

JOHNSON COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in the CAFR.

	Fiscal Year Ending June 30				Unaudited	After Issuance
INDEBTEDNESS	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**
TAX SUPPORTED						
General Obligation Bonds	$13,122,109	$12,474,085	$11,816,061	$11,104,037	$10,351,013	$10,741,013
TOTAL TAX SUPPORTED	13,122,109	12,474,085	11,816,061	11,104,037	10,351,013	10,741,013
REVENUE SUPPORTED						
Solid Waste Bonds	$415,000	$395,000	$375,000	$349,000	$314,000	$314,000
TOTAL REVENUE SUPPORTED	$415,000	$395,000	$375,000	$349,000	$314,000	$314,000
TOTAL DEBT	$13,537,109	$12,869,085	$12,191,061	$11,453,037	$10,665,013	$11,055,013
Less: Revenue Supported Debt	($415,000)	($395,000)	($375,000)	($349,000)	($314,000)	($314,000)
Less: Debt Service Fund	(4,933,823)	(5,094,257)	(5,261,137)	(5,473,082)	(5,473,082)	(5,473,082)
NET DIRECT DEBT	$8,188,286	$7,379,828	$6,554,924	$5,630,955	$4,877,931	$5,267,931

PROPERTY TAX BASE						
Estimated Actual Value	1,168,016,705	1,172,631,058	1,162,416,532	1,168,536,328	1,173,518,421	1,173,518,421
Appraised Value	1,168,016,705	1,172,631,058	1,162,416,532	1,168,536,328	1,173,518,421	1,173,518,421
Assessed Value	314,929,187	315,560,210	313,489,216	315,168,934	316,499,488	316,499,488

	Fiscal Year Ending June 30				Unaudited	After Issuance
DEBT RATIOS	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**
TOTAL DEBT to Estimated Actual Value	1.16%	1.10%	1.05%	0.98%	0.91%	0.94%
TOTAL DEBT to Appraised Value	1.16%	1.10%	1.05%	0.98%	0.91%	0.94%
TOTAL DEBT to Assessed Value	4.30%	4.08%	3.89%	3.63%	3.37%	3.49%
NET DIRECT DEBT to Estimated Actual Value	0.70%	0.63%	0.56%	0.48%	0.42%	0.45%
NET DIRECT DEBT to Appraised Value	0.70%	0.63%	0.56%	0.48%	0.42%	0.45%
NET DIRECT DEBT to Assessed Value	2.60%	2.34%	2.09%	1.79%	1.54%	1.66%
PER CAPITA RATIOS						
POPULATION (1)	18,107	17,977	18,244	17,830	17,830	17,830
PER CAPITA PERSONAL INCOME (2)	$26,859	$27,708	$28,837	$28,837	$28,837	$28,837
Estimated Actual Value to POPULATION	64,506	65,230	63,715	65,538	65,817	65,817
Assessed Value to POPULATION	17,393	17,554	17,183	17,676	17,751	17,751
Total Debt to POPULATION	748	716	668	642	598	620
Net Direct Debt to POPULATION	452	411	359	316	274	295
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.78%	2.58%	2.32%	2.23%	2.07%	2.15%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.68%	1.48%	1.25%	1.10%	0.95%	1.02%

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

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

JOHNSON COUNTY, TENNESSEE
ESTIMATED BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y. Ended 6/30	As of June 30, 2016 Existing Debt General Obligation (1) Principal	Interest	TOTAL	Less: Bonds Refunded Principal	Interest	TOTAL	General Obligation Refunding Bonds, Series 2016 Principal	Interest (2)	TOTAL	% 2016 Principal Repaid	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% All Principal Repaid
2017	$ 757,013	$ 308,758	$ 1,065,771	$ -	$ (174,363)	$ (174,363)	$ 75,000	$ 65,486	$ 140,486	1.59%	$ 832,013	$ 199,881	$ 1,031,894	7.75%
2018	738,000	291,318	1,029,318	-	(174,363)	(174,363)	45,000	92,800	137,800		783,000	209,755	992,755	
2019	753,000	273,258	1,026,258	-	(174,363)	(174,363)	45,000	91,900	136,900		798,000	190,795	988,795	
2020	773,000	254,798	1,027,798	(180,000)	(174,363)	(354,363)	230,000	91,000	321,000		823,000	171,435	994,435	
2021	796,000	235,738	1,031,738	(185,000)	(167,163)	(352,163)	230,000	86,400	316,400		841,000	154,975	995,975	
2022	819,000	216,118	1,035,118	(195,000)	(159,763)	(354,763)	235,000	81,800	316,800	18.24%	859,000	138,155	997,155	45.95%
2023	835,000	195,838	1,030,838	(200,000)	(151,963)	(351,963)	240,000	77,100	317,100		875,000	120,975	995,975	
2024	862,000	173,550	1,035,550	(210,000)	(143,963)	(353,963)	245,000	72,300	317,300		897,000	101,888	998,888	
2025	883,000	150,480	1,033,480	(220,000)	(135,563)	(355,563)	255,000	67,400	322,400		918,000	82,318	1,000,318	
2026	1,000,000	126,763	1,126,763	(1,000,000)	(126,763)	(1,126,763)	1,000,000	62,300	1,062,300		1,000,000	62,300	1,062,300	
2027	1,045,000	86,763	1,131,763	(1,045,000)	(86,763)	(1,131,763)	1,045,000	42,300	1,087,300	77.31%	1,045,000	42,300	1,087,300	90.04%
2028	1,090,000	44,963	1,134,963	(1,090,000)	(44,963)	(1,134,963)	1,070,000	21,400	1,091,400	100.00%	1,070,000	21,400	1,091,400	100.00%
	$ 10,351,013	$ 2,358,340	$ 12,709,353	$ (4,325,000)	$ (1,714,350)	$ (6,039,350)	$ 4,715,000	$ 852,186	$ 5,567,186		$ 10,741,013	$ 1,496,176	$ 12,237,189	

NOTES:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Average Interest Rate of 2.0%

JOHNSON COUNTY, TENNESSEE

ESTIMATED BONDED DEBT SERVICE REQUIREMENTS - Solid Waste

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% All Principal Repaid
2017	$ 33,000	$ 6,555	$ 39,555	10.51%
2018	32,000	5,895	37,895	20.70%
2019	32,000	5,255	37,255	30.89%
2020	32,000	4,615	36,615	41.08%
2021	39,000	3,975	42,975	53.50%
2022	36,000	3,195	39,195	64.97%
2023	35,000	2,475	37,475	76.11%
2024	33,000	1,688	34,688	86.62%
2025	42,000	945	42,945	100.00%
	$ 314,000	$ 34,598	$ 348,598	

NOTES:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Funds, Nonexpendable Trust Funds and Pension Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and fund balance components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds and, expendable trust funds are accounted for using a current financial resource measurement focus. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued or vested, and (2) principal and interest on general long-term debt which is recognized when due.

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.

BUDGETARY PROCESS

The County is required by State statute to adopt annual operating budgets. The general fund, special revenue funds, and debt service funds are budgeted on a basis so that current available funds are sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed initial or revised appropriations authorized by the County Commission. Unencumbered appropriations at the end of each fiscal year lapse.

The County's budgetary basis of accounting are consistent with generally accepted accounting principles (GAAP) except where encumbrances are treated as budgeted expenditures.

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FUND BALANCES AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30,				
Fund Type	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental:					
General	$1,956,942	$1,974,555	$1,643,925	$2,035,603	$1,904,197
Highway/Public Works	238,587	305,563	200,685	232,053	542,553
General Debt Service	4,723,255	4,933,823	5,094,257	5,261,137	5,473,082
Other Governmental	569,129	895,298	903,662	1,024,539	1,310,074
TOTAL	**$7,487,913**	**$8,109,239**	**$7,842,529**	**$8,553,332**	**$9,229,906**

Source: Comprehensive Annual Financial Reports and Auditors Reports for Johnson County, Tennessee.

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JOHNSON 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	$ 2,594,847	$ 2,784,751	$2,762,428	$ 2,933,570	$ 2,998,832
Licenses and Permits	34,494	29,385	36,508	44,066	55,322
Fines, forfeitures and penalties	117,148	95,061	86,710	139,505	133,351
Charges for current services	52,510	48,455	56,210	44,399	50,891
Other local revenues	810,055	832,942	749,263	719,460	735,494
Fees Received from County Officials	717,845	727,432	725,738	716,392	701,964
State of Tennessee	1,741,046	2,784,186	2,052,742	2,257,297	1,896,855
Federal Government	451,479	326,132	133,908	664,565	273,780
Other Governments & Citizens Groups	18,523	12,050	82,136	8,712	76,620
Total Revenues	$ 6,537,947	$ 7,640,394	$6,685,643	$ 7,527,966	$ 6,923,109
Expenditures:					
General Government	$ 608,151	$ 576,223	$ 624,598	$ 616,376	$ 652,502
Finance	725,834	719,871	708,109	741,015	773,301
Administration of Justice	553,423	614,819	649,072	589,407	649,041
Public Safety	2,580,250	2,730,029	2,905,278	2,848,366	3,009,833
Public Health & Welfare	279,111	264,375	360,420	219,926	268,861
Social, Cultural & Recreational Service:	94,680	105,391	102,451	93,167	92,049
Agricultural & Natural Resources	87,059	92,007	75,296	79,884	91,233
Other Operations	1,363,696	2,019,680	1,075,318	1,437,174	1,007,970
Highways	41,282	42,029	44,813	40,302	44,390
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Expenditures	$ 6,333,486	$ 7,164,424	$6,545,355	$ 6,665,617	$ 6,589,180
Excess (Deficiency) of Revenues					
Over Expenditures	$ 204,461	$ 475,970	$ 140,288	$ 862,349	$ 333,929
Other Sources & Uses:					
Operating transfers - In	$ -	$ -	$ -	$ -	$ -
Insurance Recovery	13,148	14,901	6,960	17,549	26,833
Operating Transfers - Out	(468,662)	(473,258)	(477,878)	(488,220)	(492,168)
Total Expenditures & Other Uses	$ (455,514)	$ (458,357)	$ (470,918)	$ (470,671)	$ (465,335)
Net Change in Fund Balance	$ (251,053)	$ 17,613	$ (330,630)	$ 391,678	$ (131,406)
Fund Balance July 1					
Prior Period Adjustment	2,207,995	1,956,942	1,974,555	1,643,925	2,035,603
Fund Balance June 30	**$ 1,956,942**	**$ 1,974,555**	**$1,643,925**	**$ 2,035,603**	**$ 1,904,197**

Source: Comprehensive Annual Financial Reports.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. Unless deposited in a financial institution participating in the State Consolidated Collateral Pool, all demand deposits or Certificates of Deposit must be secured by similar grade collateral (such as direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit) pledged at 105% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits.

All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for the administration of all County investments.

Prevailing State law does not allow cities or counties in the State to invest in reverse repurchase agreements or unusual “derivative" products.

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, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2015[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 16,540,816	55%	$ 37,894,195
Commercial and Industrial	37,463,840	40%	93,659,600
Personal Tangible Property	12,021,907	30%	40,072,926
Residential and Farm	250,472,925	25%	1,001,891,700
Total	**$316,499,488**		**$1,173,518,421**

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

The estimated assessed value of property in the County for the fiscal year ending June 30, 2016 (tax year 2015) is $316,499,488 compared to $315,168,934 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is $1,173,518,421 compared to $1,168,536,328 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	$314,929,187	$1.77	$5,577,149	$5,450,030	97.7%	N/A	
2012	315,560,210	1.77	5,595,215	5,454,625	97.5%	N/A	
2013	313,489,216	1.81	5,677,594	5,290,785	93.2%	N/A	
2014	315,168,934	1.81	5,701,357	5,372,913	92.9%	$328,444	5.8%
2015	316,499,488	1.81	5,742,725	IN PROCESS			

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

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

	Taxpayer	Business Type	Assessment	Taxes Levied
1.	Mountain Electric Corp.	Utility	$11,785,176	$213,311
2.	Red Tail Properties	Real estate / Golf Course	3,724,903	67,424
3.	Parkdale Mills	Ring Spun Yarn	3,633,056	65,758
4.	Maymead	Farming, Mining, & Paving	3,403,416	61,602
5.	Phoenix Medical Products	Manufacturing	2,129,553	38,545
6.	N & N Ball & Roller	Ball Bearings	1,895,395	34,306
7.	United Telephone	Telecommunications	1,828,859	33,102
8.	Brown Enterprises	Real Estate	1,648,110	29,831
9.	Village Apartments	Apartments	1,042,662	18,872
10.	Leo & Maria Melissaris Trust	Shopping Center	958,195	17,343
	TOTAL		**$32,049,325**	**$580,094**

Source: The County.

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

	Taxpayer	Business Type	Assessment	Taxes Levied
1.	Mountain Electric Corp.	Utility	$11,979,641	$216,832
2.	Red Tail Properties	Real Estate-Golf Course	5,278,953	95,501
3.	Maymead	Farming, Mining & Paving	3,788,678	68,576
4.	Phoenix Medical	Manufacturing	2,215,086	40,093
5.	Parkdale Mills	Ring Spun Yarn	1,773,240	32,096
6.	United SE Telephone	Telecommunications	1,680,370	30,415
7.	Brown Enterprises	Real Estate	1,722,535	30,410
8.	N.N. Ball & Roller	Ball Bearings	1,672,585	30,274
9.	Village Apartments	Apartments	1,042,595	18,871
10.	Danny Herman Trucking	Utility	886,635	16,048
	TOTAL		**$32,040,318**	**$579,116**

Source: The County.

PENSION PLANS

Employees of Johnson County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment.

There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Johnson County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

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

ANNUAL FINANCIAL REPORT

JOHNSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015

TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

JOHNSON 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

MARIE TIDWELL, CPA
Auditor 4

ROBERT ANDERSON
GREG BRUSH, CISA
State Auditors

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

JOHNSON COUNTY, TENNESSEE
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Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- The School Department failed to request reimbursements for grant expenditures on a timely basis resulting in deficits in unassigned fund balances and cash overdrafts.
- The School Department had purchasing deficiencies.

OFFICES OF CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF

- Duties were not segregated adequately.

INTRODUCTORY SECTION

Johnson County Officials
June 30, 2015

Officials

Larry Potter, County Mayor
Darrell Reece, Road Superintendent
Mischelle Simcox, Director of Schools
Lisa Crowder, Trustee
Matthew Lewis, Assessor of Property
Tammie Fenner, County Clerk
Melissa Hollaway, Circuit and General Sessions Courts Clerk
Sherrie Fenner, Clerk and Master
Freida May Gwinn, Register of Deeds
William Reece, Sheriff
Dustin Shearin, Purchasing Agent
Russell Robinson, Director of Accounts and Budgets

Board of County Commissioners

Mike Taylor, Chairman
Bill Adams
Eugene Campbell
Robert Grindstaff
Evelyn Hill
Huey Long
Jimmy Lowe
George Lowe
Gina Meade
Steve Marshall
Scott Mast
Chris Pierce
Tommy Poore
Rick Snyder
Bill Roark

Board of Education

Kevin Long, Chairman
Howard Carlton
Brad Dunn
Bill Gambill
Kenny Gregg

Audit Committee

Huey Long, Chairman
Sally Snyder
Gina Meade

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Johnson County, Tennessee, as of June 30, 2015, and the respective changes in financial position 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., Johnson 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 describes a restatement decreasing the beginning Governmental Activities net position by $282,954, and the discretely presented School Department's net position by $3,376,581, on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress – pension plan and other postemployment benefits plan on pages 77-83 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 Johnson 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 Johnson 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 Johnson 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 Johnson County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of Johnson 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 Johnson County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury

Nashville, Tennessee

October 15, 2015

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government: Governmental Activities	Component Unit: Johnson County School Department
ASSETS		
Cash and Equivalents	$ 13,156	$ 58,902
Equity in Pooled Cash and Investments	8,817,104	3,394,652
Accounts Receivable	71,304	33,692
Due from Other Governments	747,019	549,752
Due from Primary Government	0	218
Property Taxes Receivable	3,166,749	2,866,740
Allowance for Uncollectible Property Taxes	(120,333)	(108,934)
Unamortized Discount on Debt	6,557	0
Net Pension Asset - Agent Plan	53,928	87,356
Net Pension Asset - Cost-Sharing Plan	0	36,620
Capital Assets:		
Assets Not Depreciated:		
Land	830,378	946,939
Construction in Progress	36,592	4,500
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	6,876,124	13,400,147
Infrastructure	2,661,714	301,447
Other Capital Assets	610,192	1,142,984
Total Assets	$ 23,770,484	$ 22,715,015
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	$ 217,341	$ 0
Pension Changes in Experience	98,600	248,623
Pension Contributions after Measurement Date	406,677	1,074,071
Pension Other Deferrals	0	4,216
Total Deferred Outflows of Resources	$ 722,618	$ 1,326,910
LIABILITIES		
Accounts Payable	$ 21,624	$ 131,541
Accrued Payroll	0	17,493
Payroll Deductions Payable	119,660	676,823
Contracts Payable	2,457	0
Accrued Interest Payable	27,999	0
Due to Component Units	218	0
Due to State of Tennessee	8,940	0
Other Current Liabilities	13,009	58,902

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Johnson County School Department
LIABILITIES (Cont.)		
Noncurrent Liabilities:		
Due Within One Year	1,066,849	48,974
Due in More Than One Year (net of unamortized premium on debt)	13,682,527	78,729
Total Liabilities	$ 14,943,283	$ 1,012,462
DEFERRED INFLOWS OF RESOURCES		
Deferred Current Property Taxes	$ 2,933,926	$ 2,655,973
Pension Changes in Investment Earnings	465,994	3,772,116
Total Deferred Inflows of Resources	$ 3,399,920	$ 6,428,089
NET POSITION		
Net Investment in Capital Assets	$ 5,876,313	$ 15,796,017
Restricted for:		
General Government	99,556	0
Finance	23,418	0
Administration of Justice	77,501	0
Public Safety	96,226	0
Public Health and Welfare	46,727	0
Highways	192,661	0
Education	0	879,977
Capital Outlay	1,151,649	0
Other Purposes	93,211	0
Unrestricted	(1,507,363)	(74,620)
Total Net Position	$ 6,149,899	$ 16,601,374

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

Exhibit B

Johnson 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 Unit: Johnson County School Department
Primary Government:						
Governmental Activities:						
General Government	$ 1,617,441	$ 674,500	$ 58,820	$ 46,931	$ (837,190)	$ 0
Finance	946,993	397,628	0	0	(549,365)	0
Administration of Justice	593,099	387,768	9,400	0	(195,931)	0
Public Safety	3,088,568	1,272,424	48,375	24,258	(1,743,511)	0
Public Health and Welfare	1,049,050	454,023	180,412	241,383	(173,232)	0
Social, Cultural, and Recreational Services	196,334	0	35,022	14,628	(146,684)	0
Agriculture and Natural Resources	84,651	0	0	0	(84,651)	0
Highways	1,507,007	19,130	1,529,405	51,403	92,931	0
Education	79,395	0	0	0	(79,395)	0
Interest on Long-term Debt	342,098	0	377,789	0	35,691	0
Total Primary Government	$ 9,504,636	$ 3,205,473	$ 2,239,223	$ 378,603	$ (3,681,337)	$ 0
Component Unit:						
Johnson County School Department	$ 21,367,748	$ 267,146	$ 4,422,959	$ 94,499	$ 0	$ (16,583,144)
Total Component Unit	$ 21,367,748	$ 267,146	$ 4,422,959	$ 94,499	$ 0	$ (16,583,144)

(Continued)

Exhibit B

Johnson County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: Johnson County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					$ 2,309,316	$ 2,740,978
Property Taxes Levied for Debt Service					721,923	0
Local Option Sales Taxes					288,285	721,907
Hotel/Motel Tax					20,329	0
Wheel Tax					615,210	0
Litigation Tax - General					9,418	0
Litigation Tax - Special Purpose					38,522	0
Litigation Tax - Jail, Workhouse, or Courthouse					16,964	0
Business Tax					68,594	0
Mixed Drink Tax					610	0
Mineral Severance Tax					1,874	0
Bank Excise Tax					16,876	0
Wholesale Beer Tax					144,220	0
Other Local Taxes					0	3,670
Grants and Contributions Not Restricted to Specific Programs					558,727	13,030,276
Unrestricted Investment Income					53,338	27,995
Miscellaneous					55,658	302,094
Gain on Disposal of Capital Assets					43,896	0
Pension Income					0	30,704
Total General Revenues					$ 4,963,760	$ 16,857,624
Change in Net Position					$ 1,282,423	$ 274,480
Net Position, July 1, 2014					5,150,430	19,703,475
Restatement - Pension Liability (see Note I.D.8.)					(282,954)	(3,376,581)
Net Position, June 30, 2015					$ 6,149,899	$ 16,601,374

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

Exhibit C-1

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

	Major Funds: General	Major Funds: Highway / Public Works	Major Funds: General Debt Service	Nonmajor Funds: Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 10,697	$ 909	$ 0	$ 1,550	$ 13,156
Equity in Pooled Cash and Investments	1,759,730	413,000	5,208,533	1,435,841	8,817,104
Accounts Receivable	36,593	0	0	34,711	71,304
Due from Other Governments	320,057	263,758	158,567	4,637	747,019
Due from Other Funds	1,093	21,570	188,237	2,876	213,776
Property Taxes Receivable	2,000,051	0	766,687	400,011	3,166,749
Allowance for Uncollectible Property Taxes	(76,000)	0	(29,133)	(15,200)	(120,333)
Total Assets	$ 4,052,221	$ 699,237	$ 6,292,891	$ 1,864,426	$ 12,908,775
LIABILITIES					
Accounts Payable	$ 19,455	$ 796	$ 0	$ 1,373	$ 21,624
Payroll Deductions Payable	97,023	22,637	0	0	119,660
Contracts Payable	2,457	0	0	0	2,457
Due to Other Funds	46,016	0	0	167,760	213,776
Due to Component Units	218	0	0	0	218
Due to State of Tennessee	7,142	1,798	0	0	8,940
Other Current Liabilities	10,697	909	0	1,403	13,009
Total Liabilities	$ 183,008	$ 26,140	$ 0	$ 170,536	$ 379,684
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 1,853,005	$ 0	$ 710,319	$ 370,602	$ 2,933,926
Deferred Delinquent Property Taxes	66,074	0	25,329	13,214	104,617
Other Deferred/Unavailable Revenue	45,937	130,544	84,161	0	260,642
Total Deferred Inflows of Resources	$ 1,965,016	$ 130,544	$ 819,809	$ 383,816	$ 3,299,185

(Continued)

Exhibit C-1

Johnson 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					
Restricted:					
Restricted for General Government	$ 99,556	$ 0	$ 0	$ 0	$ 99,556
Restricted for Finance	23,418	0	0	0	23,418
Restricted for Administration of Justice	77,501	0	0	0	77,501
Restricted for Public Safety	58,964	0	0	37,262	96,226
Restricted for Public Health and Welfare	46,727	0	0	0	46,727
Restricted for Highways/Public Works	0	82,996	0	0	82,996
Restricted for Capital Outlay	0	0	0	1,141,738	1,141,738
Committed:					
Committed for Public Health and Welfare	0	0	0	89,575	89,575
Committed for Social, Cultural, and Recreational Services	0	0	0	12,496	12,496
Committed for Highways/Public Works	0	459,557	0	0	459,557
Committed for Capital Outlay	0	0	0	29,003	29,003
Committed for Debt Service	0	0	5,473,082	0	5,473,082
Assigned:					
Assigned for General Government	435,812	0	0	0	435,812
Assigned for Public Safety	382,661	0	0	0	382,661
Assigned for Social, Cultural, and Recreational Services	33,528	0	0	0	33,528
Unassigned	746,030	0	0	0	746,030
Total Fund Balances	$ 1,904,197	$ 542,553	$ 5,473,082	$ 1,310,074	$ 9,229,906
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,052,221	$ 699,237	$ 6,292,891	$ 1,864,426	$ 12,908,775

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

Exhibit C-2

Johnson 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)		$ 9,229,906
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 830,378	
Add: construction in progress	36,592	
Add: other capital assets net of accumulated depreciation	610,192	
Add: buildings and improvements net of accumulated depreciation	6,876,124	
Add: infrastructure net of accumulated depreciation	2,661,714	11,015,000
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	$ (88,037)	
Less: bonds payable	(11,365,000)	
Less: capital leases payable	(63,399)	
Add: deferred amount on refunding	217,341	
Add: deferred charges - discount on debt	6,557	
Less: compensated absences payable	(157,799)	
Less: landfill postclosure care costs	(1,201,780)	
Less: other postemployment benefits liability	(1,676,893)	
Less: accrued interest on bonds, notes, and other loans payable	(27,999)	
Less: other deferred revenue - premium on debt	(196,468)	(14,553,477)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resourses related to pensions	$ 505,277	
Less: deferred inflows of resources related to pensions	(465,994)	39,283
(4) Net pension assets of the cost-sharing plan are not current financial resources and therefore are not reported in the governmental funds.		53,928
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		365,259
Net position of governmental activities (Exhibit A)		$ 6,149,899

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

Exhibit C-3

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

	Major Funds: General	Major Funds: Highway / Public Works	Major Funds: General Debt Service	Nonmajor Funds: Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 2,998,832	$ 1,874	$ 859,630	$ 431,469	$ 4,291,805
Licenses and Permits	55,322	0	0	0	55,322
Fines, Forfeitures, and Penalties	133,351	0	0	30,572	163,923
Charges for Current Services	50,891	0	0	449,662	500,553
Other Local Revenues	735,494	44,283	0	117,135	896,912
Fees Received from County Officials	701,964	0	0	0	701,964
State of Tennessee	1,896,855	1,480,068	0	37,656	3,414,579
Federal Government	273,780	99,777	0	0	373,557
Other Governments and Citizens Groups	76,620	8,636	377,789	34,980	498,025
Total Revenues	$ 6,923,109	$ 1,634,638	$ 1,237,419	$ 1,101,474	$ 10,896,640
Expenditures					
Current:					
General Government	$ 652,502	$ 0	$ 0	$ 211	$ 652,713
Finance	773,301	0	0	0	773,301
Administration of Justice	649,041	0	0	0	649,041
Public Safety	3,009,833	0	0	38,319	3,048,152
Public Health and Welfare	268,861	0	0	545,853	814,714
Social, Cultural, and Recreational Services	92,049	0	0	73,005	165,054
Agriculture and Natural Resources	91,233	0	0	0	91,233
Other Operations	1,007,970	0	0	0	1,007,970
Highways	44,390	1,567,219	0	0	1,611,609
Debt Service:					
Principal on Debt	0	0	864,284	0	864,284
Interest on Debt	0	0	387,095	0	387,095
Other Debt Service	0	0	142,328	0	142,328

(Continued)

Exhibit C-3

Johnson 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	$ 0	$ 0	$ 0	$ 169,311	$ 169,311
Total Expenditures	$ 6,589,180	$ 1,567,219	$ 1,393,707	$ 826,699	$ 10,376,805
Excess (Deficiency) of Revenues Over Expenditures	$ 333,929	$ 67,419	$ (156,288)	$ 274,775	$ 519,835
Other Financing Sources (Uses)					
Refunding Debt Issued	$ 0	$ 0	$ 6,470,000	$ 0	$ 6,470,000
Premiums on Debt Issued	0	0	180,526	0	180,526
Insurance Recovery	26,833	12,377	0	0	39,210
Transfers In	0	230,704	250,704	30,760	512,168
Transfers Out	(492,168)	0	0	(20,000)	(512,168)
Payments to Refunded Debt Escrow Agent	0	0	(6,532,997)	0	(6,532,997)
Total Other Financing Sources (Uses)	$ (465,335)	$ 243,081	$ 368,233	$ 10,760	$ 156,739
Net Change in Fund Balances	$ (131,406)	$ 310,500	$ 211,945	$ 285,535	$ 676,574
Fund Balance, July 1, 2014	2,035,603	232,053	5,261,137	1,024,539	8,553,332
Fund Balance, June 30, 2015	$ 1,904,197	$ 542,553	$ 5,473,082	$ 1,310,074	$ 9,229,906

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

Exhibit C-4

Johnson 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)		$ 676,574
(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	$ 247,199	
Less: current-year depreciation expense	(624,471)	(377,272)
(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 capital assets disposed		(7,500)
(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	$ 365,259	
Less: deferred delinquent property taxes and other deferred June 30, 2014	(474,840)	(109,581)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: refunding bonds proceeds	$ (6,470,000)	
Less: change in unamortized premium on debt issuances	(173,581)	
Less: change in unamortized discount on debt	(555)	
Add: principal payments on bonds	735,000	
Add: principal payments on notes	20,000	
Add: principal payments on other loans	48,024	
Add: principal payments on capital leases	61,260	
Add: principal amount of debt refunded	6,405,000	
Add: change in deferred amount on refunding	106,784	731,932
(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	$ 59,820	
Change in compensated absences payable	54,012	
Change in landfill postclosure care costs	634	
Change in other postemployment benefits liability	(122,361)	
Change in net pension liability/asset	336,882	
Change in deferred outflows related to pensions	505,277	
Change in deferred inflows related to pensions	(465,994)	368,270
Change in net position of governmental activities (Exhibit B)		$ 1,282,423

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

Exhibit C-5

Johnson 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	$ 2,998,832	$ 0	$ 0	$ 2,998,832	$ 2,968,695	$ 2,969,195	$ 29,637
Licenses and Permits	55,322	0	0	55,322	38,000	38,000	17,322
Fines, Forfeitures, and Penalties	133,351	0	0	133,351	107,900	118,590	14,761
Charges for Current Services	50,891	0	0	50,891	45,100	53,900	(3,009)
Other Local Revenues	735,494	0	0	735,494	675,385	958,334	(222,840)
Fees Received from County Officials	701,964	0	0	701,964	712,500	712,500	(10,536)
State of Tennessee	1,896,855	0	0	1,896,855	2,143,380	2,254,421	(357,566)
Federal Government	273,780	0	0	273,780	83,500	294,232	(20,452)
Other Governments and Citizens Groups	76,620	0	0	76,620	39,500	82,572	(5,952)
Total Revenues	$ 6,923,109	$ 0	$ 0	$ 6,923,109	$ 6,813,960	$ 7,481,744	$ (558,635)
Expenditures							
General Government							
County Commission	$ 75,866	$ (50)	$ 100	$ 75,916	$ 78,279	$ 79,972	$ 4,056
Board of Equalization	1,000	0	0	1,000	1,200	1,200	200
Other Boards and Committees	1,899	0	0	1,899	3,638	3,738	1,839
County Mayor/Executive	132,083	(1,970)	0	130,113	140,388	131,097	984
County Attorney	12,477	(80)	0	12,397	10,700	13,700	1,303
Election Commission	186,575	(501)	0	186,074	192,568	195,452	9,378
Register of Deeds	117,141	0	0	117,141	127,001	124,070	6,929
County Buildings	125,461	(2,433)	5,743	128,771	112,594	132,662	3,891
Finance							
Accounting and Budgeting	189,175	(3,996)	247	185,426	184,914	185,546	120
Purchasing	43,373	(2,229)	303	41,447	40,116	41,586	139
Property Assessor's Office	126,714	(30)	0	126,684	137,417	137,417	10,733
Reappraisal Program	43,303	0	0	43,303	49,592	49,592	6,289
County Trustee's Office	150,106	(150)	0	149,956	128,867	150,031	75
County Clerk's Office	220,630	0	0	220,630	218,716	230,326	9,696
Administration of Justice							
Circuit Court	267,518	(292)	612	267,838	262,129	289,833	21,995
General Sessions Court	124,085	(50)	0	124,035	124,284	124,284	249

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice (Cont.)							
Chancery Court	$ 125,855	$ (18)	$ 46	$ 125,883	$ 140,348	$ 143,823	$ 17,940
Juvenile Court	127,924	(800)	842	127,966	102,251	131,234	3,268
Courtroom Security	3,659	(3,601)	0	58	7,500	7,500	7,442
Public Safety							
Sheriff's Department	1,419,590	(8,287)	8,490	1,419,793	1,468,698	1,507,156	87,363
Administration of the Sexual Offender Registry	400	0	0	400	1,500	1,500	1,100
Jail	1,199,594	(54,820)	37,194	1,181,968	1,124,842	1,248,321	66,353
Commissary	55,365	0	365	55,730	0	260,000	204,270
Fire Prevention and Control	159,000	0	0	159,000	159,000	159,000	0
Civil Defense	87,144	(718)	0	86,426	90,251	90,921	4,495
Other Emergency Management	66,600	0	0	66,600	66,600	66,600	0
Inspection and Regulation	19,249	(116)	0	19,133	17,288	19,288	155
County Coroner/Medical Examiner	2,891	0	0	2,891	2,893	2,893	2
Public Health and Welfare							
Local Health Center	195,033	(2,582)	335	192,786	378,190	394,512	201,726
Rabies and Animal Control	524	0	0	524	4,000	4,000	3,476
Regional Mental Health Center	5,300	0	0	5,300	5,300	5,300	0
Appropriation to State	26,252	0	0	26,252	28,048	28,048	1,796
Other Public Health and Welfare	41,752	(140)	512	42,124	0	88,883	46,759
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	62,174	0	33,528	95,702	63,358	96,886	1,184
Other Social, Cultural, and Recreational	29,875	0	0	29,875	29,975	29,975	100
Agriculture and Natural Resources							
Agricultural Extension Service	70,018	0	0	70,018	72,490	72,490	2,472
Soil Conservation	21,215	0	0	21,215	21,304	21,304	89
Other Operations							
Tourism	17,889	0	0	17,889	15,000	18,050	161
Other Economic and Community Development	179,467	0	0	179,467	0	210,732	31,265
Airport	82,419	(80)	11,390	93,729	16,200	95,100	1,371
Veterans' Services	28,374	(93)	0	28,281	28,479	28,479	198

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Other Operations (Cont.)							
Other Charges	$ 445,190	$ 0	$ 0	$ 445,190	$ 638,792	$ 644,985	$ 199,795
Contributions to Other Agencies	25,974	0	0	25,974	24,344	26,072	98
Employee Benefits	34,855	0	0	34,855	31,283	38,664	3,809
Miscellaneous	193,802	(1,617)	0	192,185	185,767	200,928	8,743
Highways							
Litter and Trash Collection	44,390	(2,830)	0	41,560	46,345	46,345	4,785
Total Expenditures	$ 6,589,180	$ (87,483)	$ 99,707	$ 6,601,404	$ 6,582,449	$ 7,579,495	$ 978,091
Excess (Deficiency) of Revenues Over Expenditures	$ 333,929	$ 87,483	$ (99,707)	$ 321,705	$ 231,511	$ (97,751)	$ 419,456
Other Financing Sources (Uses)							
Insurance Recovery	$ 26,833	$ 0	$ 0	$ 26,833	$ 0	$ 26,833	$ 0
Transfers Out	(492,168)	0	0	(492,168)	(544,000)	(551,578)	59,410
Total Other Financing Sources	$ (465,335)	$ 0	$ 0	$ (465,335)	$ (544,000)	$ (524,745)	$ 59,410
Net Change in Fund Balance	$ (131,406)	$ 87,483	$ (99,707)	$ (143,630)	$ (312,489)	$ (622,496)	$ 478,866
Fund Balance, July 1, 2014	2,035,603	(87,483)	0	1,948,120	1,883,666	1,883,666	64,454
Fund Balance, June 30, 2015	$ 1,904,197	$ 0	$ (99,707)	$ 1,804,490	$ 1,571,177	$ 1,261,170	$ 543,320

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

Exhibit C-6

Johnson 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 Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 1,874	$ 0	$ 0	$ 1,874	$ 1,000	$ 1,000	$ 874
Other Local Revenues	44,283	0	0	44,283	1,416	41,933	2,350
State of Tennessee	1,480,068	0	0	1,480,068	1,450,359	1,450,359	29,709
Federal Government	99,777	0	0	99,777	20,000	98,102	1,675
Other Governments and Citizens Groups	8,636	0	0	8,636	0	8,436	200
Total Revenues	$ 1,634,638	$ 0	$ 0	$ 1,634,638	$ 1,472,775	$ 1,599,830	$ 34,808
Expenditures							
Highways							
Administration	$ 201,411	$ (100)	$ 0	$ 201,311	$ 231,805	$ 238,305	$ 36,994
Highway and Bridge Maintenance	914,354	(14,500)	12,500	912,354	1,048,889	1,077,344	164,990
Operation and Maintenance of Equipment	241,921	(18,493)	9,031	232,459	260,000	311,590	79,131
Other Charges	68,576	(413)	850	69,013	69,742	70,742	1,729
Employee Benefits	87,821	0	0	87,821	92,652	92,674	4,853
Capital Outlay	53,136	0	0	53,136	24,687	74,952	21,816
Total Expenditures	$ 1,567,219	$ (33,506)	$ 22,381	$ 1,556,094	$ 1,727,775	$ 1,865,607	$ 309,513
Excess (Deficiency) of Revenues Over Expenditures	$ 67,419	$ 33,506	$ (22,381)	$ 78,544	$ (255,000)	$ (265,777)	$ 344,321
Other Financing Sources (Uses)							
Insurance Recovery	$ 12,377	$ 0	$ 0	$ 12,377	$ 0	$ 10,777	$ 1,600
Transfers In	230,704	0	0	230,704	255,000	255,000	(24,296)
Total Other Financing Sources	$ 243,081	$ 0	$ 0	$ 243,081	$ 255,000	$ 265,777	$ (22,696)
Net Change in Fund Balance	$ 310,500	$ 33,506	$ (22,381)	$ 321,625	$ 0	$ 0	$ 321,625
Fund Balance, July 1, 2014	232,053	(33,506)	0	198,547	173,718	173,718	24,829
Fund Balance, June 30, 2015	$ 542,553	$ 0	$ (22,381)	$ 520,172	$ 173,718	$ 173,718	$ 346,454

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

Exhibit D

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

	Agency Funds
ASSETS	
Cash	$ 318,648
Equity in Pooled Cash and Investments	71,124
Accounts Receivable	4,880
Due from Other Governments	81,547
Total Assets	$ 476,199
LIABILITIES	
Due to Other Taxing Units	$ 153,626
Due to Litigants, Heirs, and Others	322,573
Total Liabilities	$ 476,199

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

JOHNSON COUNTY, TENNESSEE
Index of Notes to the Financial Statements

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Johnson 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 Johnson County:

A. Reporting Entity

Johnson County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Johnson 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 Johnson County School Department operates the public school system in the county, and the voters of Johnson 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 Johnson County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Johnson County, and the Johnson 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 Johnson 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 Johnson 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 Johnson County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Johnson County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Johnson County Emergency
Communications District
999 Honeysuckle Street
Mountain City, TN 37683

Related Organization – The Johnson County Industrial Commission is a related organization of Johnson County. The county's officials are responsible for appointing the members of the Johnson County Industrial Commission; however, the county's accountability for the organization does not extend beyond making the appointments.

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 Johnson 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 Johnson 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.

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

Separate financial statements are provided for governmental funds and fiduciary funds. 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. <u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>

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

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary 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.

Johnson 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, Johnson County reports the following fund types:

Capital Projects Funds – These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 Johnson County, and assets held in a custodial capacity for the Doe Mountain Recreation Authority. 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 Johnson County School Department reports the following major governmental funds:

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

School Federal Projects Fund – This special revenue fund accounts for restricted federal revenues, which must be expended on specific education programs.

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Johnson 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 Fund. Johnson 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.

Long-term receivables between funds, as reported in Due from Other Funds in the General Debt Service Fund financial statements, are included in committed fund balance.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.01 percent of total taxes levied.

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

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

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

Most payables are disaggregated on the face of the financial statements. Other current liabilities of the General, Highway/Public Works, and the discretely presented School Department's General Purpose School funds consist of balances of employee federal tax deposits not drawn as of June 30, 2015. Other current liabilities of the Drug Control Fund represent asset seizures that have not been awarded to the county as of June 30, 2015.

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than 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	7 - 39
Machinery and Equipment	5 - 15
Other Capital Assets	5 - 15
Infrastructure:	
Roads	9 - 20
Bridges	75
School Infrastructure	15

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for pension changes in experience, employer contributions made to the pension plan after the measurement date, other pension deferrals, and the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

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

5. **Compensated Absences**

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits, which will be paid to employees upon separation of service. All vacation and sick pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation and sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

It is the policy of the Johnson County School Department to permit noncertified employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid upon separation from service. All vacation pay is accrued when incurred in the government-wide financial statements for the School Department. 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. Also, the general policy of the School Department permits all professional personnel (teachers) to accumulate an unlimited amount of unused sick leave days. There is no liability for unpaid accumulated sick leave since the School

Department does not have a policy to pay any amounts when employees separate from service.

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, landfill closure/postclosure care costs, and pensions are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. **Net Position and Fund Balances**

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

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

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

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

Restricted for Other Purposes in the governmental activities represents net position attributable to pension activity.

As of June 30, 2015, Johnson County had $6,400,217 in outstanding debt for capital purposes for the discretely presented Johnson County School Department. This debt is a liability of Johnson County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Johnson 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 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 bodies to make assignments by resolution. Assigned fund balance in the General Fund includes fund balance approved for use in the budget for fiscal year ending June 30, 2016 ($137,983), encumbrances ($99,707), and amounts assigned by the commission for public safety ($336,612) and various other purposes ($277,699). Assigned fund balance in the discretely presented School Department's General Purpose School Fund includes encumbrances of ($105,996), and amounts assigned by the board for various purposes within Instruction ($275,000), Support ($171,436), and Capital Outlay ($400,000).

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

8. **Restatement**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement to decrease Johnson County's beginning net position has been recognized on the Statement of Activities totaling $282,954. In addition, a restatement to decrease the discretely presented School Department's beginning net position totaling $3,376,581 has been recognized in the Statement of Activities for liabilities of the pension agent plan $458,346 and the pension cost-sharing plan $2,918,235.

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

Johnson 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 Johnson 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 Johnson County School Department

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

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

Primary Government

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

Discretely Presented Johnson County School Department

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

III. STEWARDSHIP, C7OMPLIANCE, 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 Community Development/Industrial Park and Other 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, Other Boards and Committees, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

At June 30, 2015, Johnson County had the following significant encumbrance:

Fund	Description	Amount
Primary Government:		
Major Fund:		
General	Van	$ 33,528
Nonmajor Fund:		
General Capital Projects	Buses	161,448

B. Fund Deficit

The School Federal Projects Fund (special revenue fund) of the discretely presented Johnson County School Department had a deficit unassigned fund balance of $150,502 at June 30, 2015. This deficit unassigned fund balance was liquidated when revenues were recognized after June 30, 2015.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Board of Education major appropriations category (the legal level of control) of the General Purpose School Fund by $17,751. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance in the General Purpose School Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Johnson County and the Johnson 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 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. 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	$	830,378	$	0	$	0	$	830,378
Construction in Progress		0		36,592		0		36,592
Total Capital Assets Not Depreciated	$	830,378	$	36,592	$	0	$	866,970
Capital Assets Depreciated:								
Buildings and Improvements	$	11,225,081	$	0	$	0	$	11,225,081
Other Capital Assets		3,619,023		80,465		(292,349)		3,407,139
Infrastructure		3,753,084		130,142		0		3,883,226
Total Capital Assets Depreciated	$	18,597,188	$	210,607	$	(292,349)	$	18,515,446
Less Accumulated Depreciation For:								
Buildings and Improvements	$	4,082,946	$	266,011	$	0	$	4,348,957
Other Capital Assets		2,911,531		170,265		(284,849)		2,796,947
Infrastructure		1,033,317		188,195		0		1,221,512
Total Accumulated Depreciation	$	8,027,794	$	624,471	$	(284,849)	$	8,367,416
Total Capital Assets Depreciated, Net	$	10,569,394	$	(413,864)	$	(7,500)	$	10,148,030
Governmental Activities Capital Assets, Net	$	11,399,772	$	(377,272)	$	(7,500)	$	11,015,000

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

Governmental Activities:

General Government	$ 160,532
Finance	3,824
Administration of Justice	5,388
Public Safety	197,081
Public Health and Welfare	59,451
Social, Cultural, and Recreational Services	16,497
Highways/Public Works	181,698
Total Depreciation Expense - Governmental Activities	$ 624,471

Discretely Presented Johnson County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	$ 946,939	$ 0	$ 0	$ 946,939
Construction in Progress	0	4,500	0	4,500
Total Capital Assets Not Depreciated	$ 946,939	$ 4,500	$ 0	$ 951,439
Capital Assets Depreciated:				
Buildings and Improvements	$ 24,004,913	$ 421,606	$ 0	$ 24,426,519
Other Capital Assets	4,184,419	87,784	(103,565)	4,168,638
Infrastructure	2,218,763	15,348	0	2,234,111
Total Capital Assets Depreciated	$ 30,408,095	$ 524,738	$ (103,565)	$ 30,829,268
Less Accumulated Depreciated For:				
Buildings and Improvements	$ 10,424,129	$ 602,243	$ 0	$ 11,026,372
Other Capital Assets	2,805,118	308,952	(88,416)	3,025,654
Infrastructure	1,826,354	106,310	0	1,932,664
Total Accumulated Depreciation	$ 15,055,601	$ 1,017,505	$ (88,416)	$ 15,984,690
Total Capital Assets Depreciated, Net	$ 15,352,494	$ (492,767)	$ (15,149)	$ 14,844,578
Governmental Activities Capital Assets, Net	$ 16,299,433	$ (488,267)	$ (15,149)	$ 15,796,017

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

Governmental Activities:

Instruction	$ 799,012
Support Services	207,858
Operation of Non-instructional Services	10,635
Total Depreciation Expense - Governmental Activities	$ 1,017,505

C. **Interfund Receivables, Payables, and Transfers**

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 1,093
Highway/Public Works	General	21,570
General Debt Service	"	21,570
"	Nonmajor governmental	166,667
Nonmajor governmental	General	2,876
Discretely Presented School Department:		
General Purpose School	School Federal Projects	23,880
School Federal Projects	General Purpose School	2,878

The amount due to the General Debt Service Fund from the nonmajor governmental funds resulted from long-term interfund loans. The amount of these loans not expected to be received within one year is $133,334. See Note IV.G. for further details of these loans.

The remaining 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.

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Component Unit School Department:	Primary Government:	
Central Cafeteria	General	$ 218

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In: Highway/ Public Works Fund	General Debt Service Fund	Nonmajor Governmental Fund
General Fund	$ 230,704	$ 230,704	$ 30,760
Nonmajor governmental funds	0	20,000	0
Total	$ 230,704	$ 250,704	$ 30,760

Discretely Presented Johnson County School Department

Transfers Out	Transfers In: General Purpose School Fund	School Federal Projects Fund
General Purpose School Fund	$ 0	$ 150,000
School Federal Projects Fund	23,880	0
Total	$ 23,880	$ 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 and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Capital Lease

On August 27, 2013, Johnson County entered into a two-year lease-purchase agreement for the School Department for Apple iPads. The terms of the agreement require total lease payments of $190,270 plus interest of 3.49 percent. Title to the equipment transferred to the School Department immediately upon acceptance of each item of equipment. In the government-wide financial statements, the equipment was expensed in the year of acquisition because those items did not meet criteria of the county's capitalization policy.

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

Year Ending June 30	Governmental Funds
2016	$ 65,611
Total Minimum Lease Payments	$ 65,611
Less: Amount Representing Interest	(2,212)
Present Value of Minimum Lease Payments	$ 63,399

E. Long-term Obligations

Primary Government

General Obligation Bonds and Other Loans

Johnson County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds and loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment. Johnson County had no outstanding capital outlay notes at June 30, 2015.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 18 years for bonds and up to seven years for 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 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, other loans and the capital lease outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds - Refunding	1.73 to 4.125 %	6-1-28	$ 12,130,000	$ 11,365,000
Other Loans	0	4-1-17	336,161	88,037
Capital Lease	3.49	8-27-15	190,270	63,399

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

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2016	$ 740,000	$ 331,713	$ 1,071,713
2017	750,000	315,312	1,065,312
2018	770,000	297,213	1,067,213
2019	785,000	278,512	1,063,512
2020	805,000	259,413	1,064,413
2021-2025	4,380,000	984,000	5,364,000
2026-2028	3,135,000	258,487	3,393,487
Total	$ 11,365,000	$ 2,724,650	$ 14,089,650

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Total
2016	$ 48,024	$ 0	$ 48,024
2017	40,013	0	40,013
Total	$ 88,037	$ 0	$ 88,037

During the year, the Johnson County School Department contributed $377,789 to the primary government's General Debt Service Fund to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes.

There is $5,473,082 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, other loans, and capital leases outstanding totaled $631, based on the 2010 federal census.

<u>Changes in Long-term Obligations</u>

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

Governmental Activities:

	Bonds	Notes	Other Loans	Capital Lease
Balance. July 1. 2014	$ 12.035.000	$ 20,000	$ 136,061	$ 124,659
Additions	6.470,000	0	0	0
Reductions	(7.140,000)	(20,000)	(48,024)	(61.260)
Balance. June 30. 2015	$ 11.365.000	$ 0	$ 88,037	$ 63,399
Balance Due Within One Year	$ 740,000	$ 0	$ 48,024	$ 63,399

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance. July 1. 2014	$ 211,811	$ 1.202,414	$ 1.554,532
Additions	151,251	18,636	147,601
Reductions	(205,263)	(19,270)	(25,240)
Balance. June 30. 2015	$ 157,799	$ 1.201,780	$ 1,676,893
Balance Due Within One Year	$ 142,019	$ 73,407	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilites, June 30, 2015	$ 14,552,908
Less: Balance Due Within One Year	(1,066,849)
Add: Unamortized Premium on Debt	196,468
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 13,682,527

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

Current Refunding

On March 18, 2015, Johnson County current refunded two general obligation bond issues with a separate general obligation bond issue. The county issued $6,470,000 of general obligation refunding bonds to provide resources to place funds with an escrow agent and redeem the refunded bonds at the April 1, 2015, call date. As a result, the liability has been removed from the county's long-term debt. As a result of the refunding, total debt service payments over the next 12 years will be reduced by $804,938, and an economic gain (difference between the present value of debt service payments of the refunded and refunding bonds) of $756,275 was obtained.

Discretely Presented Johnson County School Department

Changes in Long-term Obligations

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

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	$ 49,357	$ (9,641)
Additions	60,427	508,990
Reductions	(60,810)	(420,620)
Balance, June 30, 2015	$ 48,974	$ 78,729
Balance Due Within One Year	$ 48,974	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilites, June 30, 2015	$ 127,703
Less: Balance Due Within One Year	(48,974)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 78,729

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

F. On-Behalf Payments – Primary Government and Discretely Presented Johnson County School Department

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Johnson 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 made by the state to the Medicare Supplement Plan for the year ended June 30, 2015, were $2,450. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Johnson County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Johnson 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 made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were $111,811 and $9,675, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Internal Financing

In-lieu-of issuing debt with financial institutions, Johnson County often chooses to internally finance various projects with idle county funds. Internally reported notes receivable from idle funds due to the General Debt Service Fund from the Solid Waste/Sanitation and Community Development/Industrial Park funds are reflected below:

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Solid Waste Equipment	$ 119,000	0%	6-21-12	6-1-15
Building Rehabilitation	300,000	0	11-30-10	9-16-19

	Outstanding 7-1-14	Issued During Period	Matured During Period	Outstanding 6-30-15
Solid Waste Equipment	$ 39,667	$ 0	$ 39,667	$ 0
Building Rehabilitation	200,000	0	33,333	166,667
Total	$ 239,667	$ 0	$ 73,000	$ 166,667

V. OTHER INFORMATION

A. Risk Management

Primary Government

The county is exposed to various risks related to general liability, property, and casualty losses. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The county joined the Local

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

Johnson County decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. The county joined the Local Government Workers' Compensation Fund (LGWCF). The county pays an annual premium to the LGWCF for its workers' compensation coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

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

Discretely Presented Johnson County School Department

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

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

B. **Accounting Changes**

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

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

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

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

C. **Subsequent Event**

On September 17, 2015, the county's General Debt Service Fund issued $250,000 in capital outlay notes to the General Fund for the construction of an emergency operations center.

D. **Contingent Liabilities**

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

E. **Changes in Administration**

On August 31, 2014, James Moody left the Office of Road Superintendent and was succeeded by Darrell Reece, Carolyn Sue Hensley left the Office of Trustee and was succeeded by Lisa Crowder, Carolyn Hawkins left the Office of Circuit and General Sessions Court Clerk and was succeeded by Melissa Hollaway, and Patricia Hartley left the Office of Register of Deeds and was succeeded by Freida May Gwinn.

F. Landfill Closure and Postclosure Care Costs

Johnson 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. Johnson County closed its sanitary landfill in 1997. The $1,201,780 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

Primary Government

The Upper East Tennessee Juvenile Detention Center was formed through cooperative agreements between Johnson County and the counties of Carter, Greene, Hawkins, Sullivan, Unicoi, and Washington for the operation of a program to divert youth from commitment to Department of Correction facilities. This program is governed by a board of directors designated by the counties. The board of directors has contracted with Universal Health Services to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population. Johnson County's participation cost percentage is 3.7 percent. The county also pays a daily fee for each individual from the county using the facility.

Johnson County does not retain an equity interest in these joint ventures. Complete financial statements for the above-noted joint venture can be obtained from its administrative office at the following addresses:

Upper East Tennessee Regional
Juvenile Detention Center
307 Wesley Street
Johnson City, TN 37601

Discretely Presented Johnson County School Department

The discretely presented School Department participates in the Northeast Tennessee Cooperative (NETCO). The cooperative was established through a contractual agreement between the Boards of Education of Johnson County and various other counties and cities in the upper East Tennessee area. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated*, and was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to provide this service. NETCO is governed by a representative committee, including one representative from each of the member districts and an executive council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the representative committee.

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

Northeast Tennessee Cooperative
100 East Maple Street
P.O. Box 1517
Johnson City, TN 37605

H. Jointly Governed Organization

Primary Government

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of *Tennessee Code Annotated*, and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a Board of Directors consisting of the county mayors/executives of each county or the county mayor's/executive's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee, consisting of the chairman, vice-chairman, secretary, and treasurer of the Board of Directors, along with the center's manager as an ex-officio member, is in charge of the daily operations of the center.

I. Retirement Commitments

Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Johnson County and non-certified employees of the discretely presented Johnson County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 38.17 percent and the non-certified employees of the discretely present School Department comprise 61.83 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	202
Inactive Employees Entitled to But Not Yet Receiving Benefits	334
Active Employees	262
Total	798

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. Johnson County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Johnson County were $720,314 based on a rate of 12.75 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Johnson 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)

Johnson 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 Johnson 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	$ 18,149,638	$ 16,739,734	$ 1,409,904
Changes for the year:			
Service Cost	$ 489,369	$ 0	$ 489,369
Interest	1,364,428	0	1,364,428
Differences Between Expected and Actual Experience	322,898	0	322,898
Contributions-Employer	0	668,604	(668,604)
Contributions-Employees	0	286,133	(286,133)
Net Investment Income	0	2,783,446	(2,783,446)
Benefit Payments, Including Refunds of Employee Contributions	(893,289)	(893,289)	0
Administrative Expense	0	(10,300)	10,300
Other Changes	0	0	0
Net Changes	$ 1,283,406	$ 2,834,594	$ (1,551,188)
Balance, June 30, 2014	$ 19,433,044	$ 19,574,328	$ (141,284)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	38.17%	$ 7,417,593	$ 7,471,521	$ (53,928)
School Department	61.83%	12,015,451	12,102,807	(87,356)
Total		$ 19,433,044	$ 19,574,328	$ (141,284)

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

Johnson County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 2,223,151	$ (141,284)	$ (2,111,570)

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

Pension Expense. For the year ended June 30, 2015, Johnson County recognized pension expense of $79,936.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Johnson 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	$ 258,318	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,220,838
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	720,314	N/A
Total	$ 978,632	$ 1,220,838

(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	$ 505,277	$ 465,994
School Department	473,355	754,844
Total	$ 978,632	$ 1,220,838

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

Year Ending June 30	Amount
2016	$ (240,630)
2017	(240,630)
2018	(240,630)
2019	(240,630)
2020	0
Thereafter	0

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

Pension Payable

At June 30, 2015, Johnson County reported a payable of $34,807 for the Primary Government and $22,963 for the School Department for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Discretely Presented Johnson County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Johnson County and non-certified employees of the discretely presented Johnson County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 38.17 percent and the non-certified employees of the discretely present School Department comprise 61.83 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Johnson 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 $22,696, 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 Johnson 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 Johnson 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	$ 22,696	N/A

The Johnson County School Department's employer contributions of $22,696 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Payable to the Pension Plan

At June 30, 2015, Johnson County Schools reported a payable of $3,248 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Johnson 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 Johnson County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were $737,738, 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 Johnson County School Department reported an asset of $36,620 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 Johnson County School Department's proportion of the net pension asset was based on the Johnson 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 June 30, 2014, the Johnson County School Department's proportion was 0.225362 percent. The proportion measured as of June 30, 2013, was 0.225063.

Pension Income. For the year ended June 30, 2015, the Johnson County School Department recognized a pension income of $30,704.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Johnson 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	$ 88,905	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,017,272
Changes in Proportion of Net Pension Liability	4,216	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	737,738	N/A
Total	$ 830,859	$ 3,017,272

The Johnson County School Department's employer contributions of $737,738 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	$ (738,798)
2017	(738,798)
2018	(738,798)
2019	(738,798)
2020	15,520
Thereafter	15,520

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

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the 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 Johnson 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 Johnson 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	$ 6,176,411	$ (36,620)	$ (5,180,337)

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

Payable to the Pension Plan

At June 30, 2015, Johnson County Schools reported a payable of $103,363 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

J. Other Postemployment Benefits (OPEB)

Plan Description

Johnson County and the School Department participate in the state-administered Local Education Group Insurance Plan and the Local Government 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 8-27-207, *TCA*, for local governments. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tn.gov/finance/act/cafr.html.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in 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. Johnson County and the School Department contributed $25,240 and $420,620, respectively, for postemployment benefits during the year ended June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	$ 509,000	$ 146,000
Interest on the NOPEBO	(386)	62,181
Adjustment to the ARC	376	(60,580)
Annual OPEB cost	$ 508,990	$ 147,601
Amount of contribution	(420,620)	(25,240)
Increase/decrease in NOPEBO	$ 88,370	$ 122,361
Net OPEB obligation, 7-1-14	(9,641)	1,554,532
Net OPEB obligation, 6-30-15	$ 78,729	$ 1,676,893

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	$ 470,198	214 %	$ 86,499
6-30-14	"	490,089	120	(9,641)
6-30-15	"	508,990	83	78,729
6-30-13	Local Government Group	428,504	1	1,436,451
6-30-14	"	142,480	17	1,554,532
6-30-15	"	147,601	17	1,676,893

Funded Status and Funding Progress

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

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	$ 5,147,000	$ 904,000
Actuarial value of plan assets	$ 544,407	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 4,602,593	$ 904,000
Actuarial value of assets as a % of the AAL	11%	0%
Covered payroll (active plan members)	$ 9,852,628	$ 3,378,226
UAAL as a % of covered payroll	47%	27%

The Board of Education has placed funds with the Tennessee School Board Association (TSBA) GASB 45 Trust to be used to pre-fund a portion of the School Department's OPEB liability. The assets of the GASB 45 Trust are commingled with other participants' funds for investment purposes, but are held in an irrevocable trust for each plan participant and may be used only for the payment of benefits to the members of the plan in accordance with the terms of their plan. At June 30, 2015, the Board of Education's balance with the GASB 45 Trust was $725,693. The TSBA GASB 45 Trust procures an annual audit, which may be obtained from the TSBA at 525 Brick Church Park Drive, Nashville, TN 37207.

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

Actuarial Methods and Assumptions

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

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

K. Office of Central Accounting and Budgeting

Johnson County operates under provisions of the Fiscal Control Acts of 1957. These acts provide for a central system of accounting and budgeting covering funds administered by the county mayor, road superintendent, and director of schools. These funds were maintained in the Office of Central Accounting under the supervision of the director of accounts and budgets.

L. Purchasing Laws

Office of County Mayor and Road Superintendent

Purchasing procedures for the Offices of County Mayor and Road Superintendent are conducted under provisions of Section 5-14-101, et seq., *Tennessee Code Annotated* (*TCA*). Purchasing procedures for the Office of Road Superintendent are also governed by provisions of the Uniform Road Law, Section 54-7-113, *TCA*. These statutes provide for purchases exceeding $10,000 to be made on a competitive bid basis.

Office of Director of Schools

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

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.