OFFICIAL STATEMENT

NEW ISSUE	Rating: Moody's – "Aa2"
BOOK-ENTRY-ONLY	(See "MISCELLANEOUS-Rating" herein)

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

$8,030,000
ANDERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

Dated: May 19, 2017. Due: May 1, as shown below.

The $8,030,000 General Obligation Refunding Bonds, Series 2017 (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 November 1, 2017 and thereafter on each May 1 and November 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

The Bonds maturing May 1, 2026 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2023.

Due (May 1)	Amount	Interest Rate	Yield	CUSIP**	Due (May 1)	Amount	Interest Rate	Yield	CUSIP**
2018	$ 50,000	2.00%	1.25%	033790 DV5	2021	$ 40,000	2.00%	1.55%	033790 DY9
2019	40,000	2.00	1.30	033790 DW3	2022	45,000	2.00	1.70	033790 DZ6
2020	40,000	2.00	1.40	033790 DX1	2023	45,000	2.00	1.90	033790 EA0

$145,000	2.20% Term Bond Due May 1, 2026	@ 2.20%	033790 EB8
$150,000	2.60% Term Bond Due May 1, 2029	@ 2.60%	033790 EC6
$7,475,000	2.70% Term Bond Due May 1, 2035	@ 2.70%	033790 ED4

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 Jay Yeager, Esq., counsel to the County. 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 May 19, 2017.

FTN FINANCIAL CAPITAL MARKETS
Underwriter

Cumberland Securities Company, Inc.
Financial Advisor

April 26, 2017

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 Preliminary 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 Preliminary 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 Preliminary 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.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the County and the terms of the offering, including the merits and risks involved.

** 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.

ANDERSON COUNTY, TENNESSEE

OFFICIALS

Terry Frank	*County Mayor*
Jeff Cole	*County Clerk*
Natalie Erb	*Finance Director*
Johnny Alley	*Assessor of Property*
Jay Yeager	*County Attorney*

BOARD OF COUNTY COMMISSIONERS

Mark Alderson	Steve Mead
Jerry Creasey	Rick Meredith
Steve Emert	Theresa Scott
Chuck Fritts	Shane Vowell
Whitney Hitchcock	Tracy Wandell
Tim Isbel	Phil Warfield
Myron Iwanski	Jerry White
Robert McKamey	Phil Yager

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

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 *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement.*

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

Securities Offered.......................... $8,030,000 General Obligation Refunding Bonds, Series 2017 (the "Bonds") of the County, dated the date of issuance May 19, 2017. The Bonds mature each May 1 beginning May 1, 2018 through May 1, 2023, May 1, 2026, May 1, 2029 and May 1, 2035 inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information.

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

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

Optional Redemption .... The Bonds maturing May 1, 2026 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2023. See the section entitled "SECURITIES OFFERED – Optional Redemption".

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

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

Rating.. Moody's: "Aa2". 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 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."

Other Information.......................... The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County or this *Official Statement* contact Terry Frank, County Mayor, Anderson County Courthouse, 100 North Main St, Room 208, Clinton, Tennessee 37716, (865) 457-5400; or the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES
For the Fiscal Year Ended June 30

	2012	2013	2014	2015	2016
Beginning Fund Balance	$ 3,849,604	$ 5,735,814	$ 6,140,901	$ 7,858,162	$ 9,217,686
Revenues	26,986,584	25,333,421	26,337,623	25,733,120	25,919,651
Expenditures	25,743,379	24,368,154	24,270,718	24,287,584	24,198,665
Revenues Over Expenditures:					
Proceeds from Sale of Assets	1,100	7,307	2,993	1,650	7,928
Other Loans Issued	858,012	-	-	501,365	-
Insurance Recovery	-	7,829	8,345	19,300	19,389
Transfers In	-	175,564	230,407	200,000	-
Transfers Out	(216,107)	(750,880)	(591,389)	(808,327)	(480,005)
Ending Fund Balance	**$ 5,735,814**	**$ 6,140,901**	**$7,858,162**	**$9,217,686**	**$10,485,984**

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

$8,030,000
ANDERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

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 Anderson County, Tennessee (the "County") of $8,030,000 General Obligation Refunding Bonds, Series 2017 (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 April 17, 2017 (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 proposing to refinance the County's outstanding General Obligation Bonds, Series 2011D, dated September 28, 2011, maturing May 1, 2030 through May 1, 2035 (the "Outstanding Debt"). The Outstanding Bonds will be called for redemption on May 1, 2020 at par plus accrued interest.

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 were dated and bear interest from their date of issuance and delivery May 19, 2017. Interest on the Bonds will be payable semi-annually on May 1 and November 1, commencing November 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

The Bonds maturing May 1, 2026 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2023 at a redemption price of par plus accrued interest.

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

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

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

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing May 1, 2026, May 1, 2029 and May 1, 2035 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected shall be selected in the manner described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

Maturity	Redemption Date	Principal Amount of Bonds Redeemed
May 1, 2026	May 1, 2024	$ 45,000
	May 1, 2025	$ 50,000
	May 1, 2026	$ 50,000
May 1, 2029	May 1, 2027	$ 50,000
	May 1, 2028	$ 50,000
	May 1, 2029*	$ 50,000
May 1, 2035	May 1, 2030	$ 1,160,000
	May 1, 2031	$ 1,195,000
	May 1, 2032	$ 1,225,000
	May 1, 2033	$ 1,265,000
	May 1, 2034	$ 1,300,000
	May 1, 2035*	$ 1,330,000

*Final Maturity

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

NOTICE OF REDEMPTION

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

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

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

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing

Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

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

REMEDIES OF BONDHOLDERS

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

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

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

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INVESTMENT CONSIDERATIONS

GENERAL

Set forth below are certain factors purchasers of the Bonds should consider when making an investment decision. All potential considerations are not included, and the discussion is not intended to be exhaustive.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions, which are often subject to discretion and delay. The enforceability of remedies or rights with respect to the Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

LOSS OF TAX EXEMPTION

There is no provision for the redemption of the Bonds or for the payment of additional interest on the Bonds in the event that interest on the Bonds becomes includable in gross income for federal income tax purposes. In the event that interest on the Bonds becomes includable in gross income for federal income tax purposes, the value and marketability of the Bonds would likely be adversely affected. The County has covenanted not to do anything that would adversely affect the tax-exempt status of the Bonds.

See the section entitled "LEGAL MATTERS – Tax Matters".

OTHER CONSIDERATIONS

In the future, there are many possible factors that may adversely affect the County such as changing economic conditions, unfunded mandates from the state or federal level among many others. Proposals to eliminate the tax-exempt status of bonds issued by the governmental entities (including the County), or to limit the use of such tax-exempt bonds, which have been made in the past, and which may be made again in the future. The adoption of such proposals would increase the cost to the County of financing future capital needs.

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

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

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

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

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

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

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

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

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

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

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

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

State Taxes

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

Moody's Investors Service ("Moody's") has given the Bonds the rating of "Aa2".

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 Moody's, 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 Moody's and any explanation of the significance of such ratings should be obtained from Moody's.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated April 26, 2017 (the "Bond Purchase Agreement"), between the County and FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriter"), the Underwriter has agreed to purchase the Bonds at an aggregate price of $7,972,931.95 (consisting of the par amount of the Bonds, less an underwriter's discount of $60,225.00 and plus a original issue premium of $3,156.95) or 99.289% of par. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

The Underwriter may offer the Bonds to the public initially at the offering prices set forth on the cover page hereof, which price may subsequently be changed without prior notice. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price 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.

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.

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. The County will be considering the issuance of not to exceed $1,400,000 General Obligation Capital Outalay Notes at the next

Commission meeting. Additionally, the County has ongoing captial needs that may or may not require the issuance of additional debt. The County may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

DEBT LIMITATIONS

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

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. 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.

Primary Base CUSIP 033789 - The required information and audits for Fiscal Years 2012, 2013, 2014, 2015 and 2016 were each filed on time to the primary base CUSIP (033789) for the County.

Secondary Base CUSIP 033790 - The County's issue of General Obligation Bonds, Series 2011D (the "Series 2011D Bonds"), Rural Elementary School Bonds, Series 2011E (the "Series 2011E Bonds") and the Rural High School Bonds, Series 2011F (the "Series 2011F Bonds") dated September 28, 2011, and the issue of Rural Elementary School Bonds, Series 2013 (the "Elementary School Bonds") and the Rural High School Bonds, Series 2013 (the "High School Bonds") dated

December 11, 2013 were issued under a different base CUSIP (033790) from the rest of the County's issues (033789). The required information and audits for Fiscal Years 2011, 2012, 2013, 2014 and 2015 were late on the base CUSIP of 033790 because of confusion on the Issuer having two separate base CUSIPs. The County filed late on CUSIP 033790 the required information and audits for Fiscal Years 2011 and 2012 on August 30, 2013 (14 months late and 2 months late, respectively) and for Fiscal Year 2013 on July 7, 2014 (7 days late). The Dissemination agent filed the required information and audits for Fiscal Years 2014 and 2015 on February 14, 2017 (31 1/2 months late and 19 1/2 months late, respectively).

While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The County does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the County, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The County's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the County for the fiscal year, prepared in accordance with generally accepted accounting principles, provided, however, if the County's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed on a timely basis 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-17;

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-18 through B-21;

3. Information about the bonded debt service requirements as shown on page B-22 through B-25;

4. The fund balances and retained earnings for the fiscal year as shown on page B-27;

5. Summary of revenues, expenditures and changes in fund balances - general fund for the fiscal year as shown on page B-28;

6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-34;

7. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-34; and

8. The ten largest taxpayers as shown on page B-35.

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

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

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

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

3. The following are the Listed Events:

    a. Principal and interest payment delinquencies;

    b. Non-payment related defaults, if material;

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

    d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

    g. Modifications to rights of Bondholders, if material;

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

    i. Defeasances;

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

k. Rating changes;

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

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

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

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

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

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

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

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

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

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CERTIFICATION OF THE COUNTY

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

/s/ Terry Frank
County Mayor

ATTEST:

/s/ Jeff Cole
County Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Anderson County, Tennessee (the "Issuer") of the $8,030,000 General Obligation Refunding Bonds, Series 2017 (the "Bonds") dated May 19, 2017. 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) 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 (b) 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,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Anderson County (the "County") is located in the northeastern portion of the State of Tennessee. To the north, the County is bordered by Campbell County. Union and Knox Counties make up the County's eastern border while Roane County provides its southwestern border. Morgan and Scott County make up Anderson County's northwestern border. The City of Clinton, the county seat, is situated about 17 miles northwest of Knoxville. Other incorporated towns in the County are Lake City, Norris, Oliver Springs and Oak Ridge. The City of Oak Ridge is approximately 20 miles from the City of Knoxville.

A portion of the City of Oak Ridge is also located in Roane County. This portion includes facilities run by the U.S. Department of Energy (the "DOE"): the Oak Ridge National Laboratory (the "ORNL") and the Y-12 National Security Complex (the "Y-12"). These facilities were built during World War II and produced uranium 235 for the first atomic bomb. The project was known as the "The Manhattan Project"

GENERAL

Approximate land area of Anderson County is 216,320 acres with the proportion in farms being 57.0%. Major crops are tobacco, corn, wheat and rye. The County is located almost precisely in the center of the eastern half of the United States, equidistant between the southern-most tip of Florida and the northernmost corner of Maine. The area is also the population center of the country with more than 70 million people living within a 500-mile radius, only one day's drive from this central location. This makes Anderson County an ideal distribution center for more than 76% of the major markets in eastern America and a leading area in Tennessee, a state that ranks 15th in industry.

The County is part of the Knoxville Metropolitan Statistical Area (the "MSA") that had a population of 837,571 according to the 2010 US Census. The MSA includes Knox (Knoxville and Farragut), Anderson (Oak Ridge and Clinton), Blount (Maryville and Alcoa), Campbell (LaFollette), Grainger (Rutledge), Loudon (Loudon), Morgan (Wartburg), Roane (Harriman) and Union (Maynardville) Counties.

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The population of Anderson County is estimated to be 75,129 persons per the U.S. Bureau of the Census in 2010. The population of the City of Oak Ridge in 2010, according to the U.S. Bureau of the Census, was 29,330.

TRANSPORTATION

The County have access to several transportation facilities. Four state highways, Route 95, 61, 58, and 62, intersect in the County, and access to Interstates 75 and 40 is also available. The County is served by the CSX Railroad, Norfolk Southern Railroad, and L & N Railroad, bus lines and numerous truck lines. The nearest general aviation airport is located at Jacksboro, Tennessee, approximately 15 miles away from the County. There is also an airstrip at Oliver Springs, 5 miles outside Oak Ridge. Commercial air service is provided by McGhee Tyson Airport, a major commercial and freight air terminal at Alcoa, Tennessee about 25 miles away.

Oak Ridge borders the Clinch River's navigable waterway for 42 miles along the shores of Watts Bar and Melton Hill Lakes. These TVA waterways connect to the Tennessee River. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south.

EDUCATION

There are three school systems located within the County. *Anderson County School System* has a very extensive school system made up of 17 schools countywide. These schools can be broken down into nine elementary schools, four middle schools, two high schools, and one vocational school. Anderson County had a fall 2015 enrollment of about 6,605 students for 479 teachers. The *Oak Ridge City School System* operates seven schools covering pre-school through 12. The fall 2015 enrollment was about 4,479 students with 302 teachers. In addition to the City system, a parochial school also exists within the County covering grades one through eight with an enrollment of approximately 200 students. The *Clinton City School System* operates three elementary schools. The fall 2015 enrollment was about 915 students with 62 teachers.

Source: Tennessee Department of Education.

Oak Ridge Associated Universities (the "ORAU") is a consortium of 100 colleges and universities and a contractor for the DOE located in Oak Ridge, Tennessee. Founded in 1946, ORAU works with its member institutions that include the University of Tennessee and its satellite campuses. The purposes are to help their students and faculty gain access to federal research facilities throughout the country. ORAU has contracted with the U.S. Nuclear Regulatory Commission since 1992 for radiation training and managing the Radiation Emergency Center / Training Site in Oak Ridge and the Technical Training Center in Chattanooga. Through the Oak Ridge Institute for Science and Education, the DOE facility that ORAU operates, undergraduates, graduates, postgraduates, as well as faculty enjoy access to a multitude of opportunities for study and research. A pioneer in technology transfer, with historic contributions in nuclear medicine and health physics, ORAU today conducts specialized training in nuclear related areas of energy, health and the environment. Appointment and program length range from one month to four years. Many of these programs are especially designed to increase the numbers of underrepresented minority students pursuing degrees in science - and engineering - related disciplines. ORAU currently does about $100 million in work annually that falls outside the contract for managing the Oak Ridge Institute for Science and Education.

Source: Oak Ridge Associated Universities, University of Tennessee at Chattanooga.

Roane State Community College Oak Ridge Campus. Roane State Community College, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2016 enrollment was about 5,636 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

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

Source: Roane State Community College.

The Tennessee Technology Center at Harriman. The Tennessee Technology Center at Harriman 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 school. 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 Harriman serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The Technology Center at Harriman began operations in 1970, and the main campus is located in Roane County. Fall 2014 enrollment was 409 students.

Source: Tennessee Technology Center at Harriman.

MEDICAL

The *Methodist Medical Center of Oak Ridge* has 301 beds and 188 physicians representing at least 30 specialties from primary health care to open heart surgery. It is a full-service regional medical facility. Methodist Medical Center dates back to 1942 and became part of Covenant Health in 1996.

Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. With headquarters located in nearby Knoxville, the system provides comprehensive services throughout East Tennessee. It is also the largest employer in the area. The organization is governed by a voluntary board of directors composed of community leaders and medical professionals.

Source: Covenant Health and Methodist Medical Center.

SCIENCE AND ENERGY

History

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. The original town site was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project (known as the "Manhattan

Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955 the Atomic Energy Commission sold the homes and land to the residents. In 1959 the residents voted in favor of incorporation under a modified city manager-council form of government.

Since the 1940's, the nuclear industry has been the largest employer for the City of Oak Ridge and Roane and Anderson Counties when a weapons fabrication division was built by the U.S. Corps of Engineers. As part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process to be utilized in the world's first atomic bomb. Some 80,000 workers were hired for emergency construction of the laboratories and offices on the 56,000-acre site. At the peak of production during the war, 23,000 employees kept the separation units working at a cost of $500 million for the entire project.

Today, the DOE occupies approximately 33,000 acres and almost 1,200 buildings within the Oak Ridge city limits, and employs over 13,000 in engineering, skilled and semi-skilled crafts, technical and administrative support. Since October 1999 DOE has contracted with the University of Tennessee and Battelle to manage the ORNL. UT-Battelle began management of the lab on June 1, 2000. Consolidated Nuclear Security, a Bechtel-led contractor team, took over management of the Y-12 nuclear weapons plant effective July 1, 2014 (BWXT, Inc. was the appointed contractor for the Y-12 Plant). DOE awarded its environmental cleanup contract to Bechtel Jacobs from 1997 to 2011. URS-CH2M Oak Ridge took over the cleanup contract in 2011.

Research

The extensive energy research and development conducted by private and public agencies make the County one of the world’s great research centers. The presence of the University of Tennessee, the ORNL, Oak Ridge Associated Universities and the Tennessee Valley Authority (the “TVA”) makes Oak Ridge a prime location for research facilities, as well as technology-based and conventional manufacturing industries. Science is a worldwide business, and the facilities at DOE in Oak Ridge have attracted a large number of technical people and their families. ORNL campus also houses visiting scientists and researchers that come to work at the world-class facility in an $8.9 million Guest House (built in 2010) with 47 units.

<u>BioEnergy Sciences Center (the “BESC”)</u>. BESC is one of only three sites in the country operated by one of the DOE’s new bioenergy research centers. It opened in ORNL in 2007. BESC works to accelerate research in the development of cellulosic ethanol and other biofuels, and make biofuel production cost competitive on a national scale. The new site received $135 million in federal funding. The University of Tennessee serves as one of the academic partners, providing specialized instrumentation, plant breeding technologies and new microbe discovery. Energy crops like switchgrass, which can be grown on marginal crop land, can produce affordable, domestic renewable fuel without raising food or feed costs. The BESC is dedicated to studying how to economically break down the cellulose in those sources to convert it into usable sugars for ethanol production.

<u>Oak Ridge National Lab.</u> ORNL is a multiprogram science and technology laboratory managed for the DOE by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that

strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. ORNL also performs other work for DOE, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office.

ORNL also boasts having the Spallation Neutron Source accelerator project (described below) and several supercomputers for scientific purposes. These unique projects bring about 3,000 scientists to visit each year for varying periods of time, and numerous small industries to be spun off from the experiments and findings. Each job created is expected to have an impact on housing, retail banking, automobile and transportation, hotels, restaurants, hospitals, and business services.

The world’s most powerful neutron science project is the *Spallation Neutron Source* (the “SNS”) at ORNL. The giant research complex, spread across 75 acres on Chestnut Ridge a couple of miles from the main ORNL campus, is the world's top source of neutrons for experiments. The SNS is an accelerator-based neutron source built in Roane County by DOE. The SNS provides the most intense pulsed neutron beams in the world for scientific research and industrial development. At a total cost of $1.4 billion, construction began in 1999 and was completed in 2006. In 2009, SNS reached full power when it set the world record in producing beam power three times more powerful than the previous world record. More neutrons are produced with a higher beam power.

Neutron-scattering research has a lot to do with everyday lives. For example, things like jets; credit cards; pocket calculators; compact discs, computer disks, and magnetic recording tapes; shatter-proof windshields; adjustable seats; and satellite weather information for forecasts have all been improved by neutron-scattering research. Neutron research also helps researchers improve materials used in high-temperature superconductors, powerful lightweight magnets, aluminum bridge decks, and stronger, lighter plastic products. The medical field will also be impacted with new drugs and medicines expected from experiments at the SNS.

ORNL is also completing a series of upgrades at the *High Flux Isotope Reactor*. This ORNL facility is sometimes referred to as the lab's "other" billion-dollar machine. It is the world's most powerful research reactor, and it is used to perform experiments similar to - but different from - those to be done at the Spallation Neutron Source.

ORNL's *Supercomputers* are housed in a 170,000-square-foot facility that includes 449 staff and 40,000 square feet of space for computer systems and data storage. The facility will house or has housed four supercomputers, the planned “Summit”, the “Titan” (currently the world’s second fastest supercomputer), the “Kraken”, and the now dismantled “Jaguar” (which at one point was the world’s fastest supercomputer). The machines will work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across society.

The DOE awarded IBM an estimated $162 million contract to build the new “Summit” supercomputer (expected to be completed in 2017) at ORNL to be used for a wide range of scientific applications including combustion science, climate change, energy storage and nuclear power. The “Summit” is expected to be five times faster than the “Titan” supercomputer already online at ORNL, which was ranked the fastest supercomputer in the world in 2012.

The National Oceanic and Atmospheric Administration (the "NOAA") sponsors the supercomputer, called "Titan", funded with Recovery Act money. NOAA awarded Cray and ORNL a $47 million contract to provide the supercomputer "Titan" to work on climate research. The Cray supercomputer, the "Titan", was online in late 2012 after several years of development to replace the "Jaguar" supercomputer at ORNL. When the "Titan" was listed as the world's fastest computer in late 2012 it marked the fourth time a computer from ORNL has achieved that distinction since 1953. The "Titan's" purpose is to support research in energy, climate change, efficient engines and materials science. "Titan" has been billed as a 17.5-petaflops machine, which means it is capable of a peak performance of about 17,500 trillion (or 17.5 quadrillion) mathematical calculations per second. That speed is about 10 times the capability of the first "Jaguar", which at one time was the world's fastest computer. The total cost of the "Titan" was estimated to be about $100 million, but about $20 million was saved by reusing much of the "Jaguar" structure.

The DOE and the National Science Foundation (the "NSF") sponsor the supercomputer "Kraken" which came on line in 2009. The NSF awarded the University of Tennessee (the "UT"), ORNL and other institutions a $65 million grant to build "Kraken" to work on a range of scientific challenges, such as climate change and new medicines. UT's "Kraken" is housed with the ORNL's "Titan".

The DOE awarded ORNL and its development partners – Cray Inc., IBM Corp. and Silicon Graphics Inc. - $25 million in funding to build the "Jaguar" supercomputer, which is now obsolete and replaced as of 2012.

Through interagency agreements, DOE's Oak Ridge facilities have launched a highly successful "work for others" program. Local firms contract with numerous federal agencies to provide services and products. The value of these contracts have grown from approximately $50 million in 1983 to $270 million in recent years.

Tennessee Valley Authority (the "TVA"). TVA provides support, technology, expertise, and financial resources to existing businesses and industries in its service area, including the County, to help them grow and be more efficient and profitable. These resources include technical assistance, low-interest loans, and other tools needed by businesses for successful operation.

University of Tennessee. The University of Tennessee's flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute).

National Institute for Mathematical and Biological Synthesis (NIMBioS) is a first-of-its-kind institute dedicated to combining mathematics and biology to solve problems in both scientific fields. The center is funded by a 2008 $16 million award from the National Science Foundation and is located at the University of Tennessee. A unique aspect of NIMBioS will be its partnership with the Great Smoky Mountains National Park. The park and its Twin Creeks Science Center play a key role in the institute's work, with the park serving as a testing ground for many of the ideas that come from NIMBioS. Partners in NIMBioS include the US Department of Agriculture and the US Department of Homeland Security, IBM and ESRI, a developer of software and technology related to geographic information systems. It draws over 600 researchers each year to Knoxville.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

Nuclear

Integrated Facilities Disposition Program. The DOE has approved a massive $18 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated building at ORNL and the Y-12 nuclear weapons plan. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2011 and could take up to 45 years to complete.

In 2015 $424 million was set aside for the environmental cleanup activities in Oak Ridge.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge's office $1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, $1.2 billion, saved or created about 3,863 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and evaluating environmental risks. The clean-up money was divided among four sites: $239 million to ORNL, $292 million to Y-12, $144 million to East Tennessee Technology Park and $80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste.

A former gaseous diffusion building was torn down by the DOE as part of its program to convert the former K-25 site for use by private industry. The K-25 Building was part of a series of mammoth buildings to enrich uranium for weapons and fuel for nuclear power plants. The building went into operation in 1951 and was shut down in 1987. The building in size equated to 6 1/2 football fields under one roof. Demolition was completed at the end of 2007. The gigantic K-25 building, a mile-long U-shaped structure that processed the uranium in WWII, was demolished in 2010.

Y-12 National Security Complex. The Y-12 National Security Complex is another large federal plant in Oak Ridge. The ongoing functions of the Y-12 plant are to support the DOE's weapons design labs, recover U-235 from spent nuclear weapons and provide support to other government agencies.

Y-12 has been undergoing a major modernization program. Y-12 is a key facility in the U.S. Nuclear Weapons Complex and is responsible for ensuring the safety, reliability, and security of the nuclear weapons stockpile and serves as the nation's primary repository of highly enriched uranium. Y-12 houses the country's stockpile of bomb-grade uranium, builds uranium bomb parts and dismantles nuclear weapon systems as needed to support a much smaller nuclear arsenal. The National Nuclear Security Administration (the "NNSA") is planning to transform the nuclear weapons complex to be smaller, more efficient and more cost effective. The goal is by 2020 to have only two facilities where there used to be 700 buildings.

Contractors have already demolished dozens of World War II era buildings at Y-12, about a million square feet since 2001, to reduce the surveillance and maintenance costs, and to support the new programs. Some new office buildings already have been built, including the Jack Case Center that holds about a third of the workforce, or around 1,500 employees. This $58 million, 420,000-square-foot office building was completed in the summer of 2007. A new 137,000-square-foot visitor's center and auditorium, for about $18 million, was also completed in 2007.

A planned $120 Million water treatment plant to capture Y-12 mercury runoff is expected to begin construction in 2017 and begin filtering 1,500 gallon a minute of water by 2020.

The $549 million *Highly Enriched Uranium Materials Facility* at Y-12, a storage complex for weapons-grade uranium, was completed in late 2008. This storage facility replaced multiple aging facilities and allows for storage of its uranium stocks in one central location that represents maximized physical security with minimal vulnerabilities and operating costs. It is designed to protect the large cache of U-235 against any type of terrorist assault. The facility is currently over 85% storage capacity of bomb-grade uranium.

The *Uranium Processing Facility* (the "UPF") Project, cornerstone of Y-12's new modernization strategy, will replace current enriched uranium and other processing operations. It will replace Y-12's main production center and cost billions of dollars. The design phase began in 2006, construction began in 2009, and should be in operation by 2025. Construction of the UPF will accelerate consolidation of aging facilities, bringing production operations currently housed in multiple buildings together, reducing the size of the plant's highest security area by 90 percent, improving the overall security posture, making the plant more secure and saving millions of dollars in annual operating costs.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

POWER PRODUCTION

Bull Run Fossil Plant. TVA's Bull Run Fossil Plant is located on Bull Run Creek near Oak Ridge in Anderson County. It is the only single-generator coal-fired power plant in the TVA system. When the generator went into operation in 1967, it was the largest in the world in the volume of steam produced. Bull Run has a single coal-fired generating unit. The winter net dependable generating capacity is about 870 megawatts. The plant consumes about 7,300 tons of coal a day. Bull Run's boiler, one of the largest in the United States, contains about 300 miles of tubes.

Electricity is generated at Bull Run by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Bull Run generates more than six billion kilowatt-hours of electricity a year, enough to supply about 430,000 homes. It has been ranked the most-efficient coal-fired plant in the nation 13 times and is consistently in the top five each year.

To reduce sulfur dioxide (SO_2) emissions, Bull Run burns a blend of low-sulfur coal. Construction of a scrubber to further reduce SO_2 began in 2005 and is scheduled for completion in 2009. To reduce nitrogen oxides (NO_X), the plant uses a selective catalytic reduction system as well as combustion and boiler optimization controls. In 2010 TVA had spent about $5.7 billion on emission controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.

Norris Dam. TVA's Norris Dam, the first dam TVA built, is located in Anderson County on the Clinch River. Construction of the Dam began in 1933, just a few months after the creation of TVA, and was completed in 1936. Norris Dam is 265 feet high and stretches 1,860 feet across the Clinch River. The generating capacity of Norris is 131,400 kilowatts of electricity. In 2005 TVA opened a new visitor center at the dam. Visitors can learn about the history of Norris, hydropower operations, and TVA's management of the river system.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

A dedicated effort by the DOE to transfer technology to the private sector that was heretofore held as proprietary to the U.S. Government alone has led to an unparalleled growth in new business development in the City. Licenses have been granted to existing firms as well as start-up firms to manufacture for commercial use products using state-of-the-art technology in robotics, ceramics and nuclear medicine.

Currently, there are several industrial parks in the County which were developed by the County, and a few parks which were developed by private firms. The number of tenants, the diversity of their products and total employment in these parks point to a stable and thriving economic sector. The *Municipal Industrial Park* was the first park to be developed by the County and has been fully privatized for some years.

The activities undertaken by these firms include generalized and highly specific tooling and machining operations; design and manufacture of instrumentation and measurement devices; design and fabrication of metal bellows, piping and damping systems; custom fabrication of aluminum and zinc die cast parts, design and manufacture of food packaging systems; super-conducting magnet design and fabrication; and decontamination, restoration and recycling of nuclear equipment components and materials.

Oak Ridge completed building the infrastructure for the 118-acre *Bethel Valley Industrial Park* in 1989. All of the park's 28 sites, totaling approximately 80 acres, have been sold to industries.

The *Clinch River Industrial Park* is a 100-acre site that has been fully privatized since 1990. The Scientific Ecology Group, Inc. and International Technology Corporation (IT) occupy the 8 lots within this park resulting in employment of approximately 1,300 individuals. Both firms operate decontamination waste facilities. The *Clinton / I-75 Industrial Park* has about 40 acres near Interstate 75.

Commerce Park, a 300-acre fully planned industrial/research and development park developed by Lockheed Martin is strategically located as the northern anchor to the Technology Corridor. The Technical Center is a 262,000 square foot office complex consisting of five structures, all of which are fully leased.

Located on the west side of Oak Ridge, *The East Tennessee Technology Park* (the "ETTP") is a compilation of resource-rich industrial facilities which have their beginnings in the Manhattan Project during World War II. The site's original mission was to enrich uranium in the uranium 235 isotope for use in atomic weapons and subsequently for use in the commercial nuclear power industry. The plant was permanently shut down in 1987 and in 1996 reindustrialization went into effect with efforts focusing on restoration of the environment, decontamination and decommissioning of the facilities, and management of legacy wastes. The biggest task includes dismantlement and demolition of the K-25 building – a mile-long, U-shaped structure that was built to process uranium.

The ETTP site also serves as the test location of the next-generation enrichment technology under the U.S. Enrichment Corporation's American Centrifuge Program. This technology will allow the United States to maintain energy security through use of state-of-the-art materials, control systems and manufacturing processes to enrich uranium. Centrifuges are presently tested at the site for eventual use in a full-scale American Centrifuge Plant by the end of the decade.

The goal is to create a brownfields industrial park known as *Heritage Center* under coordination of the Community Reuse Organization of East Tennessee. Also, near the ETTP site is Horizon Center, which includes more than 1,000 acres of pristine greenfield land that is available for private industrial use.

The Horizon Center is a greenfield industrial park with more than 1,000 acres ready for immediate development. Horizon Center is a designed to provide building sites and amenities desired by high-tech companies while still preserving the area's scenic beauty. There is one corporate headquarters located in the park, Carbon Fiber Technology, which opened in 2013.

The *Valley Industrial Park*, a 90-acre site has more than 20 industrial facilities located within the Park. The activities undertaken by firms in this park include development and manufacturing of robotics devices; development of coating materials; manufacturing of security devices; integrated information management services; manufacturing of precision measuring devices; tooling and machining operations; rolling and fabrication of metal sheet products; and a waste management facility. See "RECENT DEVELOPMENTS" for more information.

Source: Knoxville News Sentinel.

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Listed below are the larger employers located in the County:

Major Employers in Anderson County[1]

Name	Product	Employment
Y-12 National Security Complex	National Security	4,500
Oak Ridge National Lab[2]	National Security	4,327
UCOR	Environmental Management	1,400
Anderson County Schools	Education	1,050
SamLip (SL) Tennessee	Manufacturing	1,127
Methodist Medical Center	Health Care	1,011
Oak Ridge Associated Universities	Research & Development	1,000
SiTel	Customer Service Centers	1,000
Eagle Bend Manufacturing	Manufacturing	700
Oak Ridge Schools	Public School System	660
Aisin Automotive Casting	Automotive Parts	580
Anderson County	Government	515
ORNL Federal Credit Union	Financial Institution	504
Carlstar Group	Tire Manufacturing	500
Science Applications, Int'l. Corp.	IT Research & Engineering	500
Energy Solutions	Nuclear Engineering Services	473
City of Oak Ridge	Government Administration	461
Leidos Engineering	National Security & Engineering	375

[1] Contains employers located in both the counties the City of Oak Ridge lies in.
[2] ORNL is a joint venture of University of Tennessee and Battelle
Source: Knoxville News Sentinel, Anderson County Audit and the City of Oak Ridge – 2017.

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EMPLOYMENT INFORMATION

For the month of February 2017, the unemployment rate for Oak Ridge stood at 4.7% with 13,510 persons employed out of a labor force of 14,170. For the month of February 2017, the unemployment rate for Anderson County stood at 5.1% with 32,210 persons employed out of a labor force of 34,030.

The Knoxville MSA's unemployment for February 2017 was at 4.7% with 395,410 persons employed out of a labor force of 414,750. As of February 2017, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 5.2%, representing 502,600 persons employed out of a workforce of 530,350.

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%
Oak Ridge	**7.7%**	**7.4%**	**7.6%**	**6.2%**	**5.3%**
Index vs. National	87	91	103	100	100
Index vs. State	84	92	93	93	91
Anderson County	**8.4%**	**7.8%**	**7.9%**	**6.8%**	**6.0%**
Index vs. National	94	96	107	110	113
Index vs. State	91	97	96	101	103
Knoxville MSA	**7.3%**	**6.6%**	**6.9%**	**6.2%**	**5.4%**
Index vs. National	82	81	93	100	102
Index vs. State	79	82	84	93	93
Knoxville-Sevierville-Harriman CSA	**8.3%**	**7.5%**	**7.7%**	**6.5%**	**6.5%**
Index vs. National	93	93	104	105	123
Index vs. State	90	94	94	97	112

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

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ECONOMIC DATA

Per Capita Personal Income

	2011	2012	2013	2014	2015
National	$42,453	$44,267	$44,462	$46,414	$48,112
Tennessee	$37,452	$38,771	$38,806	$40,233	$42,094
Anderson County	**$35,912**	**$36,160**	**$35,840**	**$36,972**	**$38,637**
Index vs. National	85	82	81	80	80
Index vs. State	96	93	92	92	92
Knoxville MSA	**$36,331**	**$37,981**	**$37,764**	**$39,188**	**$40,870**
Index vs. National	86	86	85	84	85
Index vs. State	97	98	97	97	97
Knoxville-Sevierville-Harriman CSA	**$34,882**	**$36,329**	**$36,275**	**$37,595**	**$39,187**
Index vs. National	82	82	82	81	81
Index vs. State	93	94	93	93	93

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

Social and Economic Characteristics

	National	Tennessee	Anderson County	Clinton	Oak Ridge
Median Value Owner Occupied Housing	$178,600	$142,100	$131,200	$144,200	$149,800
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	85.1%	87.3%	91.9%
% Persons with Income Below Poverty Level	13.50%	16.70%	19.7%	13.4%	16.9%
Median Household Income	$53,889	$45,219	$42,880	$40,729	$49,100

Source: U.S. Census Bureau State & County QuickFacts - 2015.

TOURISM AND RECREATION

American Museum of Science and Energy. Drawing thousands of visitors from across the United States and abroad are the American Museum of Science and Energy and the Oak Ridge Graphite Reactor. More than 225,000 persons visit the Museum annually. The museum opened in 1949 in an old wartime cafeteria of the ORNL. Its guided tours took visitors through the peaceful uses of atomic energy. The present facility, opened in 1975, continues to provide the general public with energy information. The museum includes historical photographs, documents and artifacts explaining the story of Oak Ridge and the Manhattan Project. There is an Exploration Station that offers self-directed activities which explore light and color, sound, problem-solving, static electricity, robotics, vision and more. It also includes exhibits on Y-12 and National Defense, the Earth's energy resources and nuclear reactors and energy.

The X-10 Graphite Reactor at ORNL, formerly known as the Clinton Pile and X-10 Pile, was the world's second artificial nuclear reactor and was the first reactor designed and built for continuous operation. The Graphite Reactor is open to the public and a National Historic Landmark. Also, an overlook display at the Oak Ridge Gaseous Diffusion Plant and facilities of the TVA is available for visitors.

Source: American Museum of Science and Energy.

Arboretum. The Arboretum is a project of the University of Tennessee Forest Resources Research and Education Center located in Oak Ridge. It generally hosts more than 30,000 visitors annually. This 250-acre research and education facility has over 2,500 native and exotic woody plant specimens that represent 800 species, varieties, and cultivars. The Arboretum serves as an outdoor classroom to university students in a variety of fields. It is also a place that provides a natural laboratory for research in plant uses, genetics and adaptability, insect and disease control, and the management of associated natural resources. The facility is recognized as an official Wildlife Observation Area and part of the National Watchable Wildlife Program by the Tennessee Wildlife Resources Agency. It is also recognized by the Holly Society of America as an official Holly test garden and the trails are part of the Tennessee Recreational Trail System.

Source: Forest Resources Research and Education Center.

Melton Hill Reservoir. TVA's Melton Hill Dam is located in Loudon County on the Clinch River. Melton Hill Reservoir extends almost 57 miles upstream from Melton Hill Dam to Norris Dam along the county lines of Loudon, Roane, Knox and Anderson Counties. Unlike other TVA reservoirs, Melton Hill is not used for flood control. But because it's used for power production, the level of the water in the reservoir fluctuates about four feet throughout the year. Melton Hill Reservoir has a nationally recognized rowing course and is a spring training site for collegiate teams from throughout the eastern United States. The reservoir has hosted a number of national championships. Melton Hill Reservoir extends the reach of barge traffic 38 miles up the Clinch River to Clinton, Tennessee, making the area attractive to industries that rely on this mode of transportation.

Source: Tennessee Valley Authority.

Parks nearby. Within 50 miles of the County are over a dozen lakeside resorts and State parks with cabins for rent, camping facilities, or both. The State parks - Cove Lake and Norris Dam in Campbell County, Big Ridge in Union County and Cumberland Mountain in Cumberland County - all offer cabins, camping and restaurants. Great Smoky Mountains National Park is a scenic seventy-five-minute drive south of the County. Big South Fork National Recreation Area, with its top rated white water rafting, is only a sixty-minute drive north.

Norris Reservoir. Norris Reservoir extends 73 miles up the Clinch River and 56 miles up the Powell from Norris Dam. It covers 5 counties: Anderson, Campbell, Union, Claiborne and Grainger Counties. Norris provides 809 miles of shoreline and 33,840 acres of water surface. It is the largest reservoir on a tributary of the Tennessee River. Norris Reservoir is an important component of the system TVA set up to reduce the risks of these disasters. The area around the Clinch River receives more than 45 inches of rain a year. In the past, floodwaters on the Clinch sometimes inundated areas hundreds of miles downstream. The recreational use of Norris Reservoir exceeds that of any other tributary reservoir in the TVA river system. Water sports at Norris include boating, water skiing, swimming, and excellent fishing.

Source: Tennessee Valley Authority.

OTHER DEVELOPMENTS

Becromal. In 2012 Becromal, a manufacturer of aluminum foils for electrolytic capacitors, closed its facility in the Yarnell Industrial Park in Clinton. The company is moving the manufacturing to Iceland. About 30 workers were laid off.

Dura-Line. Headquartered in Knoxville, Dura-Line is a manufacturer of conduit products for the telecommunications industry. In 2015 the company announced a new $25 million facility in Clinton that will create 70 new jobs.

Eagle Bend Manufacturing Inc. Eagle Bend began an expansion project to the 25-year-old plant in Clinton in 2012. The $64 million project will create 188 new jobs over the next 5 years. The plant added another 100,000 square feet to the current 344,000 square feet. The company is an automotive part supplier for cars and light trucks worldwide. It is a division of Magna International Inc. of Canada.

Integrated Facilities Disposition Program. The DOE approved a massive $14.5 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated building at ORNL and the Y-12 nuclear weapons plan. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2011 and could take up to 25 years to complete.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge's office $1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, $1.2 billion, saved or created about 3,863 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and evaluating environmental risks. The clean-up money was divided among four sites: $239 million to ORNL, $292 million to Y-12, $144 million to East Tennessee Technology Park and $80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste.

Oak Ridge Associated Universities (the "ORAU"). In 2015 the ORAU received a five-year $7.3 million contract for radiation training for the U.S. Nuclear Regulatory Commission (the "NRC"). The new contract with NRC will include training at the contractor's Oak Ridge facilities, as well as development and maintenance of the NRC's Technical Training Center in Chattanooga.

Oak Ridge National Laboratory. ORNL is in the final stages of a $300 million project to provide a modern campus for the next generation of great science. A unique combination of federal, state and private funds is building 13 new facilities. Included in these new facilities will be the

Laboratory for Comparative and Functional Genomics, the Center for Nanophase Materials Sciences, the Advanced Microscopy Laboratory, the Oak Ridge Center for Advanced Studies and the joint institutes for computational sciences, biological sciences, and neutron sciences. ORNL has been selected as the site of the Office of Science's National Leadership Computing Facility for unclassified high-performance computing.

In early 2009 and in 2012 ORNL dedicated two solar arrays, respectively. The first one is a 288-foot span of solar array panels that provides 51.25 kilowatts of power to the lab's grid. The latest array cost $800,000 and provides 200 kilowatts. These arrays will offset nearly half of the power use in one of ORNL's research facilities and expand a green initiative known as the "sustainable campus" project.

Samlip Tennessee. An automotive parts supplier, Samlip Tennessee, will invest $80.5 million and create 1,000 jobs to expand its Clinton facility in the Eagle Bend Industrial Park, which was operational in 2015. This 2015 expansion added 250,000 more square feet to its existing 500,000 square feet under roof. The company already has made $50 million in expansions and added 400 workers since 2010. This will make it the largest employer in Anderson County. In 2013 the company leased a 65,000-square-foot facility in the Eagle Bend Industrial Park and added 250 new jobs. A 2010 expansion cost about $35 million and added another 100,000 square feet to the existing 164,000-square-foot plant. The expansions are due to the new Volkswagen automotive plant north of Chattanooga. SL America Corporation has three facilities in North America and more than 6,000 employees world-wide.

Source: City of Oak Ridge, the OakRidger, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

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ANDERSON COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED		PURPOSE (1)	DUE DATE	INTEREST RATE(S)	As of June 30, 2016 AMOUNT OUTSTANDING
$ 1,700,000		Loan Agreement, Series 2001	May 2021	Variable	$ 609,000
3,000,000		Loan Agreement, Series 2006	May 2025	Variable	1,636,000
2,450,000		General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds)	May 2028	Fixed	1,750,000
1,750,000		General Obligation Refunding Bonds, Series 2011A	May 2019	Fixed	910,000
14,750,000		General Obligation Bonds, Series 2011D	May 2035	Fixed	14,600,000
7,535,000	(2)	Rural School Refunding Bonds, Series 2010B	May 2026	Fixed	7,375,000
2,050,000	(2)	Rural Elementary School Refunding Bonds, Series 2011B	May 2019	Fixed	460,000
2,000,000	(2)	Rural Elementary School Bonds, Series 2011E	May 2031	Fixed	1,875,000
2,050,000	(2)	Rural Elementary School Ref. Bonds, Series 2013	March 2018	Fixed	655,000
4,505,215	(2)	Rural Elementary School Loan, Series 2014A	May 2031	Fixed	4,200,000
6,205,000	(3)	Rural High School Refunding Bonds, Series 2010C	May 2025	Fixed	5,650,000
8,000,000	(3)	Rural High School Bonds, Series 2011F	May 2031	Fixed	7,665,000
4,890,000	(3)	Rural High School Ref. Bonds, Series 201	March 2018	Fixed	925,000
5,180,000	(3)	Rural High School Loan, Series 2014B	May 2031	Fixed	4,785,000
1,200,000	(3)	Rural High School Note, Series 2015	April 2019	Fixed	1,200,000
489,502	(4)	Energy Efficient Note, Series 2011	November 2021	Fixed	265,153
352,931	(4)	Energy Efficient Note, Series 2012	August 2022	Fixed	217,645
957,236	(4)	Capital Lease, Series 2003	December 2020	Fixed	415,195
$ 69,064,884		**TOTAL BONDED DEBT (1)**			$ 55,192,993
$ 8,030,000		General Obligation Refunding Bonds, Series 2017	May 2035	Fixed	$ 8,030,000
(7,350,000)		Less: General Obligation Bonds being refunded			(7,350,000)
$ 69,744,884		**NET BONDED DEBT**			$ 55,872,993

NOTES:

(1) The above figures do not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report". Excludes $122,043 Loan payable from the Public Library Fund ($120,279 outstanding) or $223,225 Note payable through Ambulance Service Fund ($194,000 outstanding) or $443,361 Capital Lease for Phone System payable from General Debt Service Fund ($339,469 outstanding).

(2) Payable from Rural School Debt Service Fund (Elementary).

(3) Payable from Education Debt Service Fund (High School).

(4) Payable from General Purpose School Fund.

ANDERSON COUNTY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are attached herein and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For the Fiscal Year Ended June 30					After Issuance
INDEBTEDNESS	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
TAX SUPPORTED						
G.O. Bonds & Notes - County-Wide and Schools	$25,716,886	$21,639,000	$22,002,741	$21,368,727	$20,402,997	$21,082,997
G.O. Bonds - Rural Elementary School	13,710,000	12,475,000	16,320,215	15,475,000	14,565,000	14,565,000
G.O. Bonds - Rural High School	17,910,000	16,450,000	20,940,000	20,020,000	20,225,000	20,225,000
TOTAL TAX SUPPORTED	57,336,886	50,564,000	59,262,956	56,863,727	55,192,997	55,872,997
TOTAL DEBT	57,336,886	50,564,000	59,262,956	56,863,727	55,192,997	55,872,997
Less: D.S. Fund - County-Wide	(2,815,775)	(2,520,389)	(2,755,631)	(2,981,887)	(3,133,536)	(3,133,536)
Less: D.S. Fund - Rural Elementary School (Includes Notes Due to Fund)	(201,309)	(209,560)	(12,376)	(60,433)	(86,842)	(86,842)
Less: D.S. Fund - Rural High School (Includes Notes Due to Fund)	(1,906,418)	(2,049,244)	(2,256,378)	(1,755,208)	(1,654,410)	(1,654,410)
NET DIRECT DEBT	52,614,693	45,994,367	54,250,947	52,126,632	50,405,051	51,085,051
OVERLAPPING DEBT - (1)	101,708,876	97,423,704	93,188,335	100,214,617	100,214,617	100,214,617
NET DIRECT & OVERLAPPING DEBT	154,323,569	143,418,071	147,439,282	152,341,249	150,619,668	151,299,668
PROPERTY TAX BASE						
County-Wide						
Estimated Actual Value	$ 5,599,737,313	$ 5,640,586,826	$ 5,720,496,455	$ 5,715,272,032	$ 5,473,537,110	$ 5,611,802,105
Estimated Appraised Value	5,599,737,313	5,640,586,826	5,720,496,455	5,715,272,032	5,473,537,110	5,611,802,105
Estimated Assessed Value	1,608,600,999	1,621,362,073	1,647,794,297	1,648,263,620	1,589,995,204	1,636,077,168
Rural Elementary School - (2)						
Estimated Actual Value	$ 2,437,838,455	$ 2,451,276,020	$ 2,455,217,421	$ 2,457,662,008	$ 2,280,022,069	$ 2,292,182,241
Estimated Appraised Value	2,437,838,455	2,451,276,020	2,455,217,421	2,457,662,008	2,280,022,069	2,292,182,241
Estimated Assessed Value	650,412,727	654,842,231	655,154,586	656,457,495	611,592,164	614,500,212
Rural High School - (3)						
Estimated Actual Value	$ 3,445,649,866	$ 3,483,954,920	$ 3,533,921,985	$ 3,535,769,809	$ 3,359,814,636	$ 3,488,284,838
Estimated Appraised Value	3,445,649,866	3,483,954,920	3,533,921,985	3,535,769,809	3,359,814,636	3,488,284,838
Estimated Assessed Value	964,376,861	976,464,995	991,666,247	992,798,568	949,574,167	992,512,938

(1) OVERLAPPING DEBT includes that portion of debt incurred by the Cities of Clinton, Lake City and portions of Oliver Springs and Oak Ridge in Anderson County.
(2) Includes only property located outside the corporate limits of the Cities of Clinton and Oak Ridge.
(3) Includes only property located outside the corporate limits of the City of Oak Ridge.

	For the Fiscal Year Ended June 30					After Issuance
DEBT RATIOS - COUNTY-WIDE	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
TOTAL DEBT to Estimated Actual Value	1.02%	0.90%	1.04%	0.99%	1.01%	1.00%
TOTAL DEBT to Appraised Value	1.02%	0.90%	1.04%	0.99%	1.01%	1.00%
TOTAL DEBT to Assessed Value	3.56%	3.12%	3.60%	3.45%	3.47%	3.42%
NET DIRECT DEBT to Estimated Actual Value	0.94%	0.82%	0.95%	0.91%	0.92%	0.91%
NET DIRECT DEBT to Appraised Value	0.94%	0.82%	0.95%	0.91%	0.92%	0.91%
NET DIRECT DEBT to Assessed Value	3.27%	2.84%	3.29%	3.16%	3.17%	3.12%
OVERLAPPING DEBT to Estimated Actual Value	1.82%	1.73%	1.63%	1.75%	1.83%	1.79%
OVERLAPPING DEBT to Appraised Value	1.82%	1.73%	1.63%	1.75%	1.83%	1.79%
OVERLAPPING DEBT to Assessed Value	6.32%	6.01%	5.66%	6.08%	6.30%	6.13%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	2.76%	2.54%	2.58%	2.67%	2.75%	2.70%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	2.76%	2.54%	2.58%	2.67%	2.75%	2.70%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	9.59%	8.85%	8.95%	9.24%	9.47%	9.25%
PER CAPITA RATIOS - COUNTY-WIDE						
POPULATION (1)	75,416	75,542	75,528	75,749	75,936	75,936
PER CAPITA PERSONAL INCOME (2)	$36,160	$35,840	$36,972	$38,637	$38,637	$38,637
Estimated Actual Value to POPULATION	74,251	74,668	75,740	75,450	72,081	73,902
Assessed Value to POPULATION	21,330	21,463	21,817	21,760	20,939	21,545
TOTAL DEBT to POPULATION	760	669	785	751	727	736
NET DIRECT DEBT to POPULATION	698	609	718	688	664	673
OVERLAPPING DEBT to POPULATION	1,349	1,290	1,234	1,323	1,320	1,320
NET DIRECT & OVERLAPPING DEBT to POPULATION	2,046	1,899	1,952	2,011	1,984	1,992
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	28.28%	28.41%	28.89%	28.73%	27.57%	28.37%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	1.01%	0.89%	1.04%	0.99%	0.96%	0.97%
OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	3.73%	3.60%	3.34%	3.42%	3.42%	3.42%
NET DIRECT & OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	5.66%	5.30%	5.28%	5.21%	5.13%	5.16%

(1) Computations are based upon estimates extracted from Tennessee Association of Business publications and Bureau of the Census Information.

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

DEBT RATIOS - **RURAL ELEMENTARY SCHOOL**	For the Fiscal Year Ended June 30 2012	2013	2014	2015	2016	After Issuance 2017
TOTAL DEBT to Estimated Actual Value	0.56%	0.51%	0.66%	0.63%	0.64%	0.64%
TOTAL DEBT to Appraised Value	0.56%	0.51%	0.66%	0.63%	0.64%	0.64%
TOTAL DEBT to Assessed Value	2.11%	1.91%	2.49%	2.36%	2.38%	2.37%
NET DIRECT DEBT to Estimated Actual Value	0.55%	0.50%	0.66%	0.63%	0.64%	0.63%
NET DIRECT DEBT to Appraised Value	0.55%	0.50%	0.66%	0.63%	0.64%	0.63%
NET DIRECT DEBT to Assessed Value	2.08%	1.87%	2.49%	2.35%	2.37%	2.36%
PER CAPITA RATIOS - RURAL ELEMENTARY SCHOOL						
POPULATION (1)	36,224	36,215	36,336	36,398	36,585	36,585
PER CAPITA PERSONAL INCOME (2)	$36,160	$35,840	$36,972	$38,637	$38,637	$38,637
Estimated Actual Value to POPULATION	67,299	67,687	67,570	67,522	62,321	62,654
Assessed Value to POPULATION	67,299	67,687	67,570	67,522	62,321	62,654
TOTAL DEBT to POPULATION	378	344	449	425	398	398
NET DIRECT DEBT to POPULATION	373	339	449	424	396	396
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.05%	0.96%	1.21%	1.10%	1.03%	1.03%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	1.03%	0.94%	1.21%	1.10%	1.02%	1.02%

(1) Computations are based upon estimates extracted from Tennessee Association of Business publications and includes only that portion of the population residing outside the Cities of Clinton and Oak Ridge.

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

	For the Fiscal Year Ended June 30					After Issuance
DEBT RATIOS - RURAL HIGH SCHOOL	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
TOTAL DEBT to Estimated Actual Value	0.52%	0.47%	0.59%	0.57%	0.60%	0.58%
TOTAL DEBT to Appraised Value	0.52%	0.47%	0.59%	0.57%	0.60%	0.58%
TOTAL DEBT to Assessed Value	1.86%	1.68%	2.11%	2.02%	2.13%	2.04%
NET DIRECT DEBT to Estimated Actual Value	0.46%	0.41%	0.53%	0.52%	0.55%	0.53%
NET DIRECT DEBT to Appraised Value	0.46%	0.41%	0.53%	0.52%	0.55%	0.53%
NET DIRECT DEBT to Assessed Value	1.66%	1.47%	1.88%	1.84%	1.96%	1.87%
PER CAPITA RATIOS - RURAL HIGH SCHOOL						
POPULATION (1)	46,096	46,123	46,225	46,447	46,634	46,634
PER CAPITA PERSONAL INCOME (2)	$36,160	$35,840	$36,972	$38,637	$38,637	$38,637
Estimated Actual Value to POPULATION	74,749	75,536	76,450	76,125	72,046	74,801
Assessed Value to POPULATION	74,749	75,536	76,450	76,125	72,046	74,801
TOTAL DEBT to POPULATION	389	357	453	431	434	434
NET DIRECT DEBT to POPULATION	347	312	404	393	398	398
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.07%	1.00%	1.23%	1.12%	1.12%	1.12%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	0.96%	0.87%	1.09%	1.02%	1.03%	1.03%

(1) Computations are based upon estimates extracted from Tennessee Association of Business publications and includes only that portion of the population residing outside the City of Oak Ridge.
(2) PER CAPITA PERSONAL INCOME is based upon data available from the U.S. Department of Commerce.

ANDERSON COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS

General Debt Service - Excludes Rural Elementary School and Rural High School Debt

F.Y. Ended 6/30	Existing Debt as of June 30, 2016 (1) Principal	Interest (2)	Treasury Rebate	TOTAL	Less: Bonds Being Refunded Principal	Interest	TOTAL	General Obligation Refunding Bonds, Series 2017 Principal	Interest (4)	TOTAL	% 2017 Principal Repaid	Total Bonded Debt Service Requirements (1) Principal	Interest (2)	Treasury Rebate	TOTAL	% Total Principal Repaid
2017	$ 770,000	$ 766,988	$ (28,941)	$ 1,508,047	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	$ 770,000	$ 766,988	$ (28,941)	$ 1,508,047	3.81%
2018	786,000	738,613	(27,409)	1,497,203	-	(294,000)	(294,000)	50,000	203,409	253,409		836,000	648,022	(27,409)	1,456,612	
2019	826,000	709,100	(25,725)	1,509,375	-	(294,000)	(294,000)	40,000	213,115	253,115		866,000	628,215	(25,725)	1,468,490	
2020	839,000	677,005	(23,837)	1,492,168	-	(294,000)	(294,000)	40,000	212,315	252,315		879,000	595,320	(23,837)	1,450,483	
2021	855,000	644,000	(21,805)	1,477,195	-	(294,000)	(294,000)	40,000	211,515	251,515	2.12%	895,000	561,515	(21,805)	1,434,710	21.04%
2022	882,000	612,950	(19,600)	1,475,350	-	(294,000)	(294,000)	45,000	210,715	255,715		927,000	529,665	(19,600)	1,437,065	
2023	938,000	579,850	(17,063)	1,500,788	-	(294,000)	(294,000)	45,000	209,815	254,815		983,000	495,665	(17,063)	1,461,603	
2024	974,000	544,950	(14,525)	1,504,425	-	(294,000)	(294,000)	45,000	208,915	253,915		1,019,000	459,865	(14,525)	1,464,340	
2025	1,010,000	508,750	(11,900)	1,506,850	-	(294,000)	(294,000)	50,000	207,925	257,925		1,060,000	422,675	(11,900)	1,470,775	
2026	1,035,000	471,250	(9,188)	1,497,063	-	(294,000)	(294,000)	50,000	206,825	256,825	5.04%	1,085,000	384,075	(9,188)	1,459,888	46.17%
2027	1,065,000	427,850	(6,248)	1,486,603	-	(294,000)	(294,000)	50,000	205,725	255,725		1,115,000	339,575	(6,248)	1,448,328	
2028	1,125,000	383,188	(3,216)	1,504,972	-	(294,000)	(294,000)	50,000	204,425	254,425		1,175,000	293,613	(3,216)	1,465,397	
2029	1,050,000	336,000	-	1,386,000	-	(294,000)	(294,000)	50,000	203,125	253,125		1,100,000	245,125	-	1,345,125	
2030	1,100,000	294,000	-	1,394,000	(1,100,000)	(294,000)	(1,394,000)	1,160,000	201,825	1,361,825		1,160,000	201,825	-	1,361,825	
2031	1,150,000	250,000	-	1,400,000	(1,150,000)	(250,000)	(1,400,000)	1,195,000	170,505	1,365,505	36.24%	1,195,000	170,505	-	1,365,505	74.63%
2032	1,200,000	204,000	-	1,404,000	(1,200,000)	(204,000)	(1,404,000)	1,225,000	138,240	1,363,240		1,225,000	138,240	-	1,363,240	
2033	1,250,000	156,000	-	1,406,000	(1,250,000)	(156,000)	(1,406,000)	1,265,000	105,165	1,370,165		1,265,000	105,165	-	1,370,165	
2034	1,300,000	106,000	-	1,406,000	(1,300,000)	(106,000)	(1,406,000)	1,300,000	71,010	1,371,010		1,300,000	71,010	-	1,371,010	
2035	1,350,000	54,000	-	1,404,000	(1,350,000)	(54,000)	(1,404,000)	1,330,000	35,910	1,365,910	100.00%	1,330,000	35,910	-	1,365,910	100.00%
	$ 19,505,000	$ 8,464,493	$ (209,455)	$ 27,760,038	$ (7,350,000)	$ (4,592,000)	$ (11,942,000)	$ 8,030,000	$ 3,220,479	$ 11,250,479		$20,185,000	$ 7,092,972	$ (209,455)	$27,068,517	

NOTES:

(1) The above figures do not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report". Excludes $122,043 Loan payable from the Public Library Fund ($120,279 outstanding) or $223,225 Note payable through Ambulance Service Fund ($194,000 outstanding) or $443,361 Capital Lease for Phone System payable from General Debt Service Fund ($339,469 outstanding).

(2) Includes the Gross Interest Cost on the General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds).

(3) Average Coupon 2.6885%.

ANDERSON COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS

Rural Elementary School Debt - Excludes General Debt Service and Rural High School Debt

As of June 30, 2016

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% Principal Repaid
2017	$ 935,000	$ 452,794	$ 1,387,794	6.42%
2018	960,000	429,164	1,389,164	
2019	1,005,000	404,014	1,409,014	
2020	1,035,000	373,964	1,408,964	
2021	1,060,000	343,014	1,403,014	34.29%
2022	1,085,000	311,314	1,396,314	
2023	1,110,000	278,864	1,388,864	
2024	1,140,000	245,664	1,385,664	
2025	1,175,000	210,420	1,385,420	
2026	1,225,000	170,520	1,395,520	73.67%
2027	725,000	128,620	853,620	
2028	740,000	104,083	844,083	
2029	775,000	80,520	855,520	
2030	785,000	54,245	839,245	
2031	810,000	27,570	837,570	100.00%
	$ 14,565,000	$ 3,614,768	$ 18,179,768	

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 "Comprehensive Annual Financial Report".

ANDERSON COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS

Rural High School Debt - Excludes General Debt Service and Rural Elementary School Debt

As of June 30, 2016

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% Principal Repaid
2017	$ 1,393,000	$ 632,201	$ 2,025,201	6.89%
2018	1,457,000	602,912	2,059,912	
2019	1,505,000	570,439	2,075,439	
2020	1,115,000	533,450	1,648,450	
2021	1,140,000	500,563	1,640,563	32.68%
2022	1,175,000	466,925	1,641,925	
2023	1,210,000	432,238	1,642,238	
2024	1,245,000	396,500	1,641,500	
2025	1,275,000	355,713	1,630,713	
2026	1,325,000	313,900	1,638,900	63.49%
2027	1,375,000	266,213	1,641,213	
2028	1,425,000	216,838	1,641,838	
2029	1,475,000	165,463	1,640,463	
2030	1,525,000	112,400	1,637,400	
2031	1,585,000	57,338	1,642,338	100.00%
	$ 20,225,000	$ 5,623,089	$ 25,848,089	

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 "Comprehensive Annual Financial Report".

ANDERSON COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS

General Debt Service - Paid by General Purpose School Fund

As of June 30, 2016

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) & (2) Principal	Interest	TOTAL	% Principal Repaid
2017	$ 163,273	$ 46,502	$ 209,775	18.18%
2018	173,925	37,650	211,575	37.55%
2019	185,856	27,605	213,461	58.25%
2020	199,222	16,224	215,446	80.43%
2021	114,119	3,346	117,465	93.14%
2022	55,709	-	55,709	99.34%
2023	5,893	-	5,893	100.00%
	$ 897,997	$ 131,328	$ 1,029,325	

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 "Comprehensive Annual Financial Report".

(2) Includes a Headstart Facilities Capital Lease due through December 1, 2020 outstanding in the amount of $415,195.

FINANCIAL INFORMATION

INTRODUCTION

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BASIS OF ACCOUNTING AND PRESENTATION

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

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. The reserve method is used to estimate the allowance for doubtful accounts for ambulance service receivables.

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The County maintains fund balances, net assets or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the County. The following table depicts fund balances and retained earnings for the last five fiscal years ending June 30.

	For the Fiscal Year Ended June 30,				
Fund Type	**2012**	**2013**	**2014**	**2015**	**2016**
Governmental Funds:					
General	$ 5,735,814	$ 6,140,901	$ 7,858,162	$9,217,686	$10,485,984
Highway/Public Works	1,942,125	1,775,915	2,447,654	2,223,952	3,508,655
General Debt Service	2,815,775	2,520,389	2,755,631	2,981,887	3,133,536
Other Governmental	14,264,251	8,632,200	4,408,662	3,972,661	4,010,570
Total	$24,757,965	$19,069,405	$17,470,109	$18,396,186	$21,138,745
Proprietary Net Assets:					
Ambulance Service Fund	$2,559,070	$2,259,285	$1,401,323	$1,365,780	$ 908,334
Internal Service Fund	(3,686)	64,117	494,068	266,904	266,904
Total	**$2,555,384**	**$2,323,402**	**$1,895,391**	**$1,632,684**	**$1,175,238**

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

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ANDERSON COUNTY, TENNESSEE

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

	2012	2013	2014	2015	2016
Revenues:					
Local Taxes	$ 16,855,344	$ 15,881,502	$ 16,539,125	$ 16,607,353	$ 16,851,499
Licenses and Permits	362,401	284,283	443,118	398,036	304,082
Fines, forfeitures and penalties	434,756	611,883	452,513	387,588	396,915
Charges for current services	794,471	447,224	458,406	519,444	606,285
Other local revenue	745,882	735,568	835,605	580,379	551,722
Fees Recv'd from County Officials	4,156,362	4,046,489	4,059,132	3,919,202	3,979,478
State of Tennessee	1,699,838	2,434,759	2,542,515	2,784,301	2,519,605
Federal Government	1,758,874	779,060	944,038	485,960	558,706
Groups	178,656	112,653	63,171	50,857	151,359
Total Revenues	$ 26,986,584	$ 25,333,421	$ 26,337,623	$ 25,733,120	$ 25,919,651
Expenditures:					
General Government	$ 3,179,117	$ 3,515,206	$ 3,362,978	$ 3,856,931	$ 3,481,537
Finance	2,678,874	2,719,463	2,709,820	2,752,163	2,909,277
Administrtion of Justice	3,112,458	3,367,071	3,010,385	2,888,317	3,085,247
Public Safety	11,521,425	11,833,176	11,984,442	12,039,921	12,209,507
Public Health & Welfare	2,523,813	1,204,118	1,188,297	1,263,752	1,146,239
Social, Cultural & Recreational Services	75,986	43,470	43,000	43,000	92,163
Agricultural & Natural Resources	283,632	194,312	210,497	209,216	231,371
Other Operations	1,319,931	1,188,106	1,047,169	824,956	848,332
Highways	-	-	-	-	-
Debt Service	17,583	-	-	-	-
Capital Projects	1,030,560	303,232	714,130	409,328	194,992
Total Expenditures	$ 25,743,379	$ 24,368,154	$ 24,270,718	$ 24,287,584	$ 24,198,665
Excess (Deficiency) of Revenues Over Expenditures	$ 1,243,205	$ 965,267	$ 2,066,905	$ 1,445,536	$ 1,720,986
Other Sources and Uses:					
Note / Lease Proceeds	$ 858,012	$ -	$ -	$ 501,365	$ -
Proceeds from Sale of Capital Assets	1,100	7,307	2,993	1,650	7,928
Insurance Recovery	-	7,829	8,345	19,300	19,389
Operating Transfers - In	-	175,564	230,407	200,000	-
Operating Transfers - Out	(216,107)	(750,880)	(591,389)	(808,327)	(480,005)
Total Other Sources & Uses	$ 643,005	$ (560,180)	$ (349,644)	$ (86,012)	$ (452,688)
Net Change in Fund Balances	$ 1,886,210	$ 405,087	$ 1,717,261	$ 1,359,524	$ 1,268,298
Fund Balance July 1	3,849,604	5,735,814	6,140,901	7,858,162	9,217,686
Fund Balance June 30	**$ 5,735,814**	**$ 6,140,901**	**$ 7,858,162**	**$ 9,217,686**	**$ 10,485,984**

Source: Comprehensive Annual Financial Report for Anderson County, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report and the County, 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 2016[1].

Class	**Assessed Valuation**	**Rate**	**Appraised Value**
Public Utilities	$ 46,539,836	55%	$ 106,433,697
Commercial and Industrial	498,727,400	40%	1,246,818,500
Personal Tangible	157,034,257	30%	523,447,208
Residential and Farm	933,775,675	25%	3,735,102,700
Total	**$1,636,077,168**		**$5,611,802,105**

Source: 2016 Tax Aggregate Report of Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2017 (Tax Year 2016) is $1,636,077,168 compared to $1,589,995,204 for the fiscal year ending June 30, 2016 (Tax Year 2015). The estimated actual value of all taxable property for Tax Year 2016 is $5,611,802,105 compared to $5,473,537,110 for Tax Year 2015.

Property Tax Rates and Collections - County-Wide. The following table shows the property tax rates and collections of the County for Tax Years 2012 through 2016 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, 2016 Amount**	**Pct**
2012	$1,621,362,073	$2.532	$39,767,690	$37,296,389	93.8%	$ 151,956	0.1%
2013	1,647,794,297	2.529	40,226,997	37,697,807	95.0%	417,767	0.1%
2014	1,648,263,620	2.529	40,044,880	37,953,500	94.8%	703,295	0.1%
2015	1,589,995,204	2.7903	42,877,374	40,768,406	95.1%	2,108,968	4.9%
2016	1,636,077,168	2.7903	45,651,459*	**IN PROCESS**			

* Estimated

[1] The tax year coincides with the calendar year, therefore, tax year 2016 is actually fiscal year 2016-2017.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2017 (Tax Year 2015), the ten largest taxpayers in the City were as follows:

	Taxpayer	Type of Business	Assessed Valuation	Taxes Levied
1.	Samlip Tennessee	Automotive	$37,361,701	$1,030,773
2.	Oak Ridge Project (Y-12)	Manufacturing	36,006,346	934,185
3.	Magna International	Manufacturing	18,712,166	516,250
4.	Aisin Automotive	Automotive	15,399,275	424,851
5.	Summit Properties	Real Estate	13,439,260	371,391
6.	R&R Properties	Real Estate	11,958,480	310,263
7.	Methodist Medical Center	Hospital	11,308,320	294,202
8.	Wal-Mart	Retail	9,592,267	258,013
9.	General Motors LLC	Automotive	9,206,260	253,992
10.	Bell South	Telecommunications	9,285,520	250,946
	TOTAL			

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

Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (Tax Year 2015), the ten largest taxpayers in the City were as follows:

	Taxpayer	Type of Business	Assessed Valuation	Percentage of Total
1.	Lawler-Wood LLC (Oak Ridge Project)	Real Estate	$ 36,006,346	2.23%
2.	SL Corp	Automobile	27,555,453	1.71%
3.	Magna International	Manufacturing	13,009,706	0.81%
4.	Methodist Medical Center	Hospital	11,308,320	0.70%
5.	Summit Properties	Real Estate	10,091,600	0.62%
6.	Bell South	Telecommunications	10,020,869	0.62%
7.	CTP Trans. Products	Manufacturing	9,828,131	0.58%
8.	Norfolk Southern	Railroad	8,702,720	0.54%
9.	General Motors LLC	Manufacturing	8,677,958	0.54%
10.	Food Lion	Distribution	7,160,265	0.44%
	TOTAL		**$141,861,368**	**8.78%**

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

PENSION PLANS

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

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Anderson County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA). Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) 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.

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

ANDERSON COUNTY, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Coffee County for the fiscal year ended June 30, 2016 which is available upon request from the County.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

ANDERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016

TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

ANDERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

MARK TREECE, CPA, CGFM
Audit Manager

AMY SOSVILLE, CPA
Auditor 4

AMY MOORE, CGFM
STEPHEN ALRED
JACOB ROGERS
DOUG SANDIDGE, CISA, CFE
State Auditors

Connie Aytes, Interim Director of Accounts and Budgets
Natalie Erb, CPA, CTP, Finance Director

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

ANDERSON COUNTY, TENNESSEE
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Summary of Audit Findings

Comprehensive Annual Financial Report
Anderson County, Tennessee
For the Year Ended June 30, 2016

Scope

We have audited the basic financial statements of Anderson County as of and for the year ended June 30, 2016.

Results

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

Our audit resulted in one finding and recommendation, which we have reviewed with Anderson County's management. Details of the finding, recommendation, and management's response are included in the Single Audit section of this report.

Findings

The following is a summary of the audit findings:

OFFICES OF MAYOR AND FINANCE DIRECTOR

- Two proprietary funds had deficits in unrestricted net position.

INTRODUCTORY SECTION

ANDERSON COUNTY GOVERNMENT

NATALIE ERB, CPA, CTP
DIRECTOR OF FINANCE

November 9, 2016

Board of County Commissioners
Citizens of Anderson County

Dear Commissioners and Citizens:

We are pleased to submit to you the Comprehensive Annual Financial Report of Anderson County, Tennessee, for the year ended June 30, 2016. This report was prepared by the county's Finance Department in conjunction with the county's independent auditors: the State of Tennessee Office of the Comptroller of the Treasury, Department of Audit, Division of Local Government Audit.

The financial reporting entity (the government) includes all of the funds of the primary government (i.e., the county) as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Component units are discretely presented to emphasize they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Anderson County Board of Education and the Anderson County Emergency Communications District are reported as discretely presented component units. For more information regarding the reporting entity please see the notes to the financial statements.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentations, including all disclosures, rests with the county. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the county and its component units. All disclosures necessary to enable the reader to gain an understanding of the county's financial activities have been included. Anderson County's financial statements have been audited by the county's independent auditors: the State of Tennessee's Office of the Comptroller of the Treasury, Department of Audit, Division of Local Government Audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of Anderson County for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Anderson County's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with generally accepted accounting

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principles. The independent auditor's report is presented as the first component of the financial section of this report.

The county is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to the single audit includes a schedule of expenditures of federal awards and state grants, a schedule of findings and recommendations, an auditor's report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, and an auditor's report on compliance with requirements applicable to each major program and internal control over compliance in accordance with the Uniform Guidance.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Anderson County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The county is located in the eastern portion of the state. To the north, Campbell and Morgan counties border the county. The county's southern border consists of Knox and Loudon counties. To the immediate west lies Roane County. To the east, adjacent counties are Union, Sevier, and Jefferson. Anderson County occupies a land area of approximately 345 square miles and serves a population of 75,749.

The county has operated under a County Mayor – County Commission form of government since September 1, 1980. Policymaking and legislative authority are vested in the county mayor (the executive branch of the county) and the County Commission (the legislative branch of the county). The County Commission is responsible for, among other things, passing resolutions, adopting the budget, and appointing committees. The county mayor is responsible for, among other things, carrying out the policies and resolutions of the County Commission, overseeing the day-to-day operations of the government, and appointing the heads of many of the county's departments.

Anderson County Government continues to strive to provide essential services that enhance the quality of life for families throughout Anderson County. This requires detailed planning and the implementation of a number of initiatives and programs that include a wide range of services from emergency management planning to expanding needed infrastructure to running water and sewer to new and existing homes throughout Anderson County. Anderson County also is financially accountable for a legally separate school district, which is reported separately within its financial statements. Additional information on this legally separate entity along with the county's other discretely presented component units can be found in Note I.A. in the notes to the financial statements.

The annual budget serves as the foundation for Anderson County's financial planning and control. All agencies of Anderson County are required to submit requests for appropriation to the Finance Department, and these requests are used as the starting point for developing a proposed budget. A proposed budget is presented to the Budget Committee for review prior to May 1. The Budget

Committee is required to hold a public hearing on the proposed budget and to adopt a final budget no later than May 15. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff). Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General and Highway Public Works funds, this comparison is presented as part of the required supplementary information for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the combining and individual fund subsection of this report. Please see the Table of Contents for specific page numbers.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Anderson County operates.

Local economy. Because of its central location in the eastern United States, the county is adjacent to thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States. Among the county's largest employers are CNS-Y12, UT Battelle, and Anderson County Government. Over 50 percent of the county's workforce is employed by the top ten employers.

Anderson County is home to such diverse companies as Clayton Homes, Pharma Packaging Solutions, Techmer PM, Mag USA Inc., Energy Solutions, Powder Cote II, Remotec, Navarro Research and Engineering, and Leidos. Anderson County is also home to two of the top ten global automotive companies, Eagle Bend Manufacturing and Aisin Automotive as well as automotive giant SL Tennessee. The Department of Energy's (DOE) Oak Ridge Reservation, which includes the CNS-Y-12 National Security, is located in Anderson County. These DOE facilities are vital to the nation's scientific research and development, environmental remediation and weapons disarmament, and the development of alternative types of energy and materials.

Economic outlook. Anderson County continues to expand due to its combination of elements vital to fostering growth and development. This combination of favorable elements, which includes good jobs and precision workers, mild climate, and offers the perfect opportunity for business and individual success. The unemployment rate in Anderson County fell to a nine year low of 5.1%, and the per capita personal income increased to a nine year high of $43,251. The positive trends of low interest rates, increased government spending, and good consumer spending will enable Anderson County to remain an attractive location for future economic development.

The county continues to stress steady growth. Since 1980, development in the county has been influenced by the fluctuation in interest rates as well as national economic trends. Since 1990, a constant amount of new commercial development has occurred throughout the county. The primary concentration of growth has been the eastern portion of the county along Interstate 75.

Recent surveys indicate that although government funded operations are still a strong factor in the local economy, service and manufacturing related employment are also important. One of the area's strengths is its high percentage of precision craft and repair workers and technicians. Over 40 percent of our population is in the prime labor work force age group of 25 to 54.

Financial Policies with Significant Impact on the Financial Statements

Up until the last 15 years, the county has made great efforts to reduce outstanding debt. For fiscal year 2016-2017, the county passed the budget without tax anticipation notes borrowed from external sources. This trend is not likely to continue as the schools face financial pitfalls with mandated cost passed down through the state and federal levels.

For the year ended June 30, 2016, the county positively affected the unassigned fund balance by $359,399. This is a reflection of cautious spending at every department level and keeping expenditures relatively flat compared to previous years.

Long-term Financial Planning

Anderson County continues to work hard to keep new debt issues to a minimum. During fiscal year 2016, the county modified existing debt agreements that will save over $85,000 over the life of the bonds, but will not extend the maturity dates of the debt. The county also issued a $1,200,000 capital outlay note for improvements to the schools.

With growing economic concerns around the nation and globally, Anderson County is taking the position to more staunchly safeguard its unassigned fund balances and to be open to long-term financing options for large capital projects if conditions warrant. To that end, the county's minimum fund balance policy requires a two-thirds approval vote by the County Commission to spend down the fund balance below $4 million.

Internal Control Structure

Management of the government establishes and maintains an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Anderson County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twentieth consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Also, Anderson County received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its annual condensed financial report. To receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

Acknowledgments. The preparation of the Comprehensive Annual Financial Report was accomplished through the dedicated service of the Finance Department employees, with a special thanks to the county's Deputy Finance Director, Robby Holbrook. We express our appreciation to all those who contributed to its preparation. We also express our appreciation to the county commissioners for their interest, support, and leadership in the financial operations of the county.

Sincerely,

Natalie Erb

Natalie Erb, CPA, CTP
Director of Finance

Terry Frank
Anderson County Mayor

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Anderson County

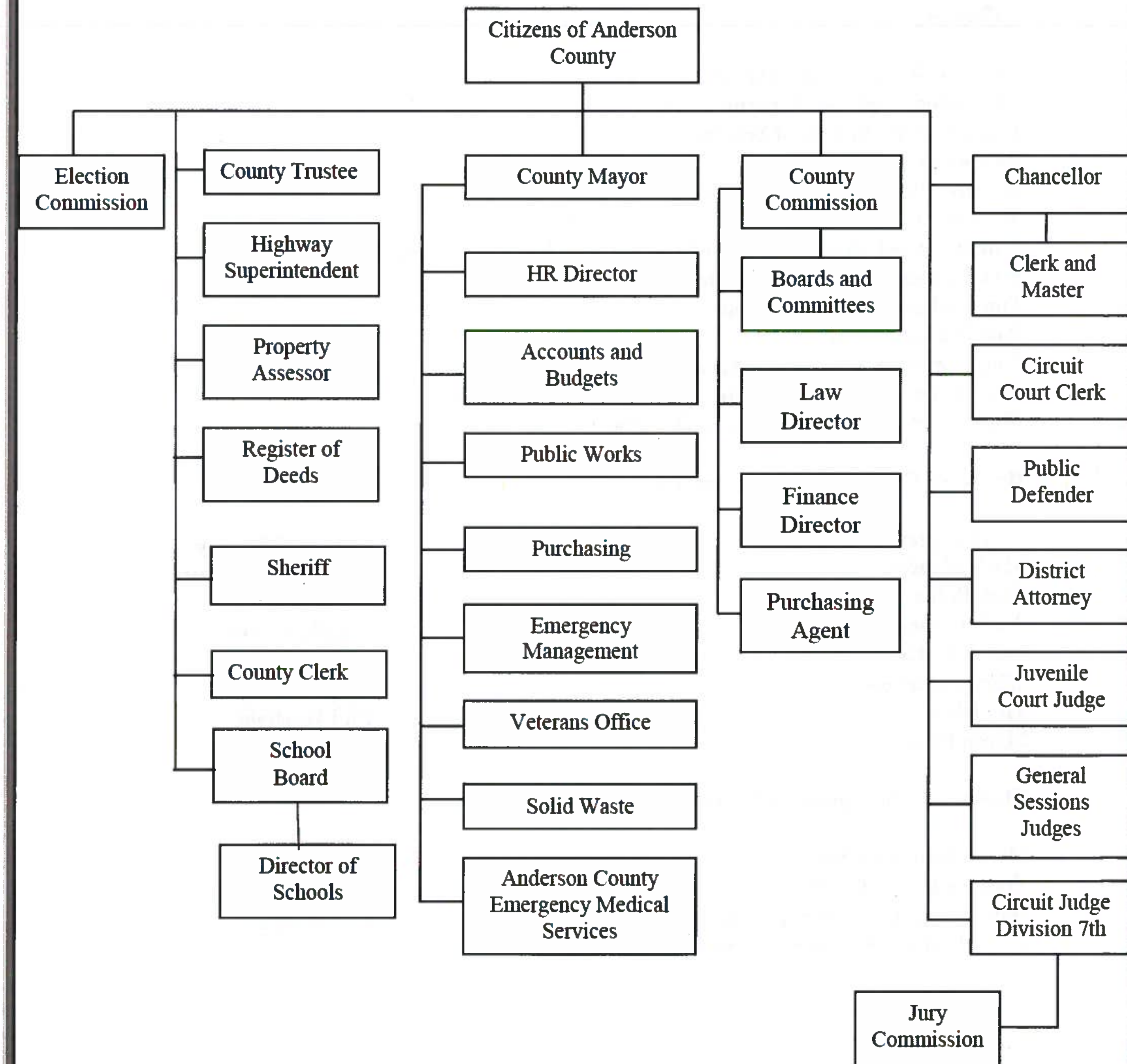
Tennessee

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Anderson County, Tennessee
Organization Chart



Anderson County is transitioning from the 1957 Fiscal Procedures Act and the 1957 Purchasing Act, which provided accounting, budgeting and purchasing functions under the County Mayor, to the Financial Management Systems Act of 1981, which provides accounting, budgeting and purchasing functions under the Financial Management Committee appointed by the County Commission.

Anderson County Officials
June 30, 2016

Officials

Theresa Frank, County Mayor
Gary Long, Highway Superintendent
Larry Foster, Director of Schools
Rodney Archer, Trustee
Johnny Alley, Assessor of Property
Jeff Cole, County Clerk
William Jones, Circuit, General Sessions, and Juvenile Courts Clerk
Steve Queener, Clerk and Master
Tim Shelton, Register of Deeds
Paul White, Sheriff
Tony Foreman, Purchasing Agent
Connie Aytes, Interim Director of Accounts and Budgets
Natalie Erb, CPA, CTP, Finance Director

Board of County Commissioners

Steve Emert, Chairman
Mark Alderson
Zach Bates
Jerry Creasey
Chuck Fritts
Whitey Hitchcock
Tim Isbel
Myron Iwanski
Robert McKamey
Angeleque McNutt
Steve Mead
Rick Meredith
Theresa Scott
Tracy Wandell
Phil Warfield
Jerry White

Financial Management Committee

Myron Iwanski, Chairman
Theresa Frank, County Mayor
Gary Long, Highway Superintendent
Larry Foster, Director of Schools
Tim Isbel
Steve Mead
Phil Warfield

Anderson County Officials (Cont.)

Board of Education

Dr. John Burrell,Chairman
Don Bell
Dail Cantrell
Scott Gillenwaters
Glenda Langenberg
Teresa Portwood
Rickey Rose
Jo Williams

Audit Committee

Myron Iwanski, Chairman
Gail Cook
Steve Emert
Chuck Fritts
Steve Mead
Whitey Hitchcock
Phil Warfield

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

Anderson County Mayor and
Board of County Commissioners
Anderson 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Anderson County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Anderson County Emergency Communications District, which represent three percent, 4.4 percent, and 0.6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Anderson County Emergency Communications District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Anderson County, Tennessee, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Anderson County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note III.D., which describes an ongoing investigation of a potential system-wide breach of the main courthouse computer server. The results of the investigation are pending as of the date of this report. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23-38 and the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans, on pages 134-141 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 Anderson 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 Anderson County School Department (a discretely presented component unit), miscellaneous schedules and statistical section 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 Anderson 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 Anderson 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 and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of Anderson 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 Anderson County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 9, 2016

JPW/kp

Anderson County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2016

The management of Anderson County, Tennessee, presents this management's discussion and analysis (MD&A) of the county's financial condition and results of operations for the fiscal year ended June 30, 2016. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the county and the Anderson County Emergency Medical Services, known as the primary government. Also included are the financial results of the Anderson County Board of Education, which is considered a discretely presented component unit (DPCU) and is referred to as the DPCU School Department. The DPCU School Department does not issue separate financial statements.

The Anderson County Emergency Communications District is also a DPCU. Readers should review the Emergency Communications District separately issued financial statements and MD&A.

The government-wide financial statements include not only the primary government but also the DPCU School Department and Emergency Communications District, known as the total reporting entity.

FINANCIAL HIGHLIGHTS FOR 2016

- The assets and deferred outflows of the Anderson County Primary Government were more than its liabilities and deferred inflows at year-end by $15,896 (net position). In the prior year, assets and deferred outflows were less than the liabilities and deferred inflows by 3,464,243 (net position). The county's process of issuing debt on behalf of the DPCU School Department results in reduced net position. The county issues general obligation debt for the DPCU School Department, which is used for school projects that become DPCU School Department capital assets. The DPCU School Department then makes payments to the county from future budgets. Since the debt is issued in the county's legal name, the debt is reported as a liability of the primary government.

  If the county had excluded $35,687,997 in DPCU School Department bonds, other loans, capital leases, and notes payable, then the county would have a net position of $35,703,893 significantly higher than the reported $15,896.

- General revenues of the Primary Government accounted for $25,568,476 in revenue or 60% of all revenues (42,512,877). Program specific revenues in the form of charges for services, grants, and contributions accounted for $16,944,401 or 40% of total revenues. General revenues of the DPCU School Department were $53,048,761.

- Total assets of governmental activities in the Primary Government were $75,609,684 as net property taxes receivable ended at $17,643,129, and cash ended at $216,233 and pooled cash and investments ended at $19,883,198. Total assets in the DPCU

School Department were $70,660,508 as net property taxes receivable ended at $15,447,509, cash ended at $162,855 and equity in pooled cash and investment ended at $5,718,948 including the unspent proceeds of $601,831 of a $1,200,000 note issued by the primary government and funds contributed to the DPCU School Department during the fiscal year.

- The Primary Government had $39,032,738 in expenses with $16,944,401 of these expenses offset by program specific charges for services, grants, and contributions. General revenues, which consisted primarily of property taxes of $17,603,970 were adequate to provide current funding for these programs. The DPCU School Department had $63,384,567 in expenses related to governmental activities with $13,706,801 of these expenses offset by program specific charges for services, grants, and contributions. General revenues of the DPCU School Department, which consisted primarily of grants and contributions, property taxes, and sales taxes of $30,038,500, $15,279,492, and $7,553,913, respectively, were adequate to provide current funding for these programs.

- At 2016 year-end, the county's governmental funds reported combined ending fund balances of $21,138,745 an increase of $2,742,559. Of the total fund balances, $4,511,788 is unassigned and available for ongoing operations.

- At June 30, 2016, the unassigned General Fund balance was $4,511,788 or 19% of General Fund expenditures ($24,198,665). During fiscal year 2016, the county continues to take significant steps to help ensure a healthy fund balance at year-end by approving an increase in the minimum fund balance to $4 million. Any action that requires funding from the unassigned fund balance mandates a two-thirds approval vote from the County Commission.

- At 2016 year-end, the DPCU School Department's governmental funds reported combined ending fund balances of $5,184,555, an increase of $1,321,882. Of the total fund balances, $3,169,724 is unassigned and available for ongoing operations.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The county's Comprehensive Annual Financial Report (CAFR) is comprised of the following:

1. Introductory Section
2. Financial Section
    - Independent Auditor's Report
    - Management's Discussion and Analysis
    - Government-wide Financial Statements
    - Fund Financial Statements
    - Index and Notes to the Financial Statements
    - Required Supplementary Information and Related Notes
    - Combining and Individual Fund Financial Statements and Schedules
3. Statistical Section
4. Single Audit Section

Introductory Section. This section includes a roster of county and DPCU School Department officials, organization chart, and letter of transmittal.

Financial Section. This section includes the unmodified opinion of the county's and DPCU School Department's independent external auditors, the Comptroller of the Treasury, Division of Local Government Audit. Also included is the Management's Discussion and Analysis (MD&A), which serves as an introduction to the basic financial statements.

Basic Financial Statements. The basic financial statements consist of the following:

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the county's and DPCU School Department's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on the entire county and the DPCU School Department's assets and deferred outflows and liabilities and deferred inflows with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the county and the DPCU School Department is improving or deteriorating.

The Statement of Activities presents information showing how the county's and the DPCU School Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the county and the DPCU School Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the county and the DPCU School Department include the following:

- General Government
- Finance
- Administration of Justice
- Public Safety
- Public Health and Welfare
- Social, Cultural, and Recreational Services
- Agriculture and Natural Resources
- Highways
- Education
- Interest on Long-term Debt

The business-type activities of the county consist of ambulance services provided by the ACEMS Ambulance Service Fund.

The government-wide financial statements can be found on Exhibits A and B of the basic financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Anderson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the county can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The county maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General, Highway/Public Works, and General Debt Service funds, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining and individual fund financial statements and schedules.

The DPCU School Department maintains five individual governmental funds. The General Purpose School Fund is considered to be a major fund with the remaining four funds combined into a single, aggregated amount with detail provided in the combining and individual fund financial statements and schedules.

To demonstrate compliance with the budgets, budgetary comparison statements have been provided for the General and Highway/Public Works funds as Exhibits C-5 and C-6, respectively. Budgetary comparison schedules for the county's nonmajor budgeted funds, the Debt Service funds, and the DPCU School Department's funds are provided in the combining and individual fund financial statements and schedules.

Governmental fund financial statements can be found as Exhibits C-1 through C-6 in the basic financial statements.

Proprietary Funds. Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The county maintained two different types of proprietary funds – an enterprise fund and two internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The county had one enterprise fund to account for ambulance services. Internal service funds are accounting devices used to accumulate and allocate costs internally among the county's various functions. The county uses two internal service funds, one to account for employee health insurance activities and the other to account for the county's cable channel 95 activities. Because internal service funds predominantly benefit governmental rather than business-type functions, their assets and liabilities have been included with governmental activities in the government-wide financial statements.

The county's enterprise fund, ACEMS Ambulance Service Fund, is a major fund and is reported separately in the government-wide and fund financial statements. The internal service funds are combined within the governmental activities in the government-wide statements and are presented separately in the fund financial statements.

The proprietary fund financial statements can be found as Exhibits D-1 through D-3 in the basic financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. The county's fiduciary funds consist of the Cities Sales Tax, Clinton School Average Daily Attendance Tax and Oak Ridge School Daily Attendance Tax, Judicial District Drug, District Attorney General, and Constitutional Officers – Agency funds, which are combined into agency funds on the fiduciary funds financial statements. Fiduciary funds are not reflected in the government-wide financial statements because the county cannot use these funds to finance its operations.

The fiduciary funds' financial statement can be found as Exhibit E-1 in the basic financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Combining and Individual Fund Financial Statements and Schedules. In addition to the basic financial statements and accompanying notes, this report presents combining and individual fund statements and schedules. Also included are the financial statements of the DPCU Anderson County School Department.

Statistical Section. This section includes selected historical financial data and is presented on a ten-year basis if available and is unaudited.

Single Audit Section. This section includes the auditor's reports on the county's and the DPCU School Department's internal controls and compliance including an opinion on major federal award programs. This section also includes a Schedule of Expenditures of Federal Awards and State Grants for the county and the DPCU School Department.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position (deficits) may serve over time as a useful indicator of a government's financial position. The county's governmental activities liabilities and deferred inflows exceeded its assets and deferred outflows by $892,438 and the DPCU School Department had net position of $43,686,839. This is due to the county's process of issuing debt on behalf of the DPCU School Department for building construction and improvements. The DPCU School Department owns the capital assets, but the county is obligated to pay the debt.

At year-end 2016, the county's and the DPCU School Department's Statement of Net Position consisted of the following:

ANDERSON COUNTY
STATEMENT OF NET POSITION

	Governmental Activities	
	2016	2015
Assets		
Cash, Inventories, and Investments	$ 20,142,363	17,232,904
Receivables - Net	19,846,649	19,480,670
Internal Balances	935,884	725,994
Prepaid Items and Other	136,023	1,133,508
Net Pension Asset	1,235,085	1,017,993
Capital Assets - Net	33,313,680	34,285,450
Total Assets	$ 75,609,684	$ 73,876,519
Deferred Outflows of Resources		
Deferred Charge on Refunding	$ 31,984	$ 68,019
Pension Contributions After Measurement Date	925,748	882,741
Total Deferred Outflows	$ 957,732	$ 950,760
Liabilities		
Current Liabilities	$ 1,858,155	$ 6,026,088
Noncurrent Liabilities	57,047,600	55,377,398
Total Liabilities	$ 58,905,755	$ 61,403,486
Deferred Inflows of Resources		
Deferred Current Property Taxes	$ 17,074,875	$ 16,209,322
Pension Changes in Experience	1,056,799	254,938
Pension Changes in Investments Earnings	422,425	1,789,556
Total Deferred Outflows	$ 18,554,099	$ 18,253,816
Net Position		
Net Investment in Capital Assets	$ 13,682,164	$ 12,800,710
Restricted	10,375,713	8,585,551
Unrestricted	(24,950,315)	(26,216,284)
Total Net Position	$ (892,438)	$ (4,830,023)

ANDERSON COUNTY
STATEMENT OF NET POSITION

	Business-type Activities	
	ACEMS	ACEMS
	2016	2015
Assets		
Cash and Investments	$ 566,384	$ 438,237
Receivables - Net	757,771	1,158,797
Internal Balances	(935,884)	(725,994)
Prepaid Items and Other	17,823	27,646
Net Pension Asset	265,079	223,462
Capital Assets - Net	829,561	1,035,895
Total Assets	$ 1,500,734	$ 2,158,043
Deferred Outflows of Resources		
Pension Contributions After Measurement Date	$ 210,985	$ 189,437
Total Deferred Outflows of Resources	$ 210,985	$ 189,437
Total Assets and Deferred Outflows of Resources	$ 1,711,719	$ 2,347,480
Liabilities		
Current Liabilities	$ 205,911	$ 228,336
Noncurrent Liabilities	279,998	304,573
Total Liabilities	$ 485,909	$ 532,909
Deferred Inflows of Resources		
Pension Changes in Experience	$ 226,814	$ 55,962
Pension Changes in Investment Earnings	90,662	392,829
Total Deferred Inflows of Resources	$ 317,476	$ 448,791
Net Position		
Net Investment in Capital Assets	$ 687,200	$ 916,480
Other Purposes	265,079	223,462
Unrestricted	(43,945)	225,838
Total Net Position	$ 908,334	$ 1,365,780

ANDERSON COUNTY
STATEMENT OF NET POSITION

	DPCU School Department	
	2016	2015
Assets		
Cash, Inventories, and Investments	$ 5,904,213	$ 4,154,472
Receivables - Net	17,309,541	15,757,845
Prepaid Items	870	824,243
Net Pension Assets	770,607	1,233,807
Capital Assets - Net	46,675,277	48,766,754
Total Assets	$ 70,660,508	$ 70,737,121
Deferred Outflows of Resources		
Pension Changes in Experience	$ 252,179	$ 298,930
Pension Changes in Investment Earnings	0	3,154,957
Pension Contributions After Measurement Date	3,165,639	0
Other Deferrals	99,889	0
Total Deferred Outflows of Resources	$ 3,517,707	$ 3,453,887
Liabilities		
Current Liabilities	$ 2,423,754	$ 3,235,424
Noncurrent Liabilities	2,044,486	1,729,961
Total Liabilities	$ 4,468,240	$ 4,965,385
Deferred Inflows of Resouces		
Deferred Current Property Taxes	14,968,002	13,301,781
Pension Changes in Experience	5,545,511	278,148
Pension Changes in Investment Earnings	2,288,453	12,097,646
Other Pension Deferrals	55,170	66,204
Total Liabilities	$ 22,857,136	$ 25,743,779
Net Position		
Net Investment in Capital Assets	$ 46,675,277	$ 48,766,754
Restricted	2,629,942	2,445,824
Unrestricted	(2,452,380)	(7,730,734)
Total Net Position	$ 46,852,839	$ 43,481,844

By far, the largest portion of the county's and the DPCU School Department's net position reflects their investment in capital assets (e.g., land and buildings) less any related debt used to acquire those assets that is still outstanding. The 2016 Statement of Net Position for the Business-type Activities is a reflection of the ACEMS. The county and the DPCU School Department use these capital assets to provide services; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate long-term debt.

The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget. Decisions regarding the allocations are made by the administrators of the pension plan, not by Anderson County's management.

During 2016, net position changed in the county, DPCU School Department, and ACEMS due to the following:

The county's net position increased by $3,937,585 during the current fiscal year. Elements key to this increase include:

- Total fund balances of governmental funds increased by $2,742,559. This increase comes largely from the three major funds (General Fund increased by $1,268,298, Highway Fund increased $1,284,703, and General Debt Service Fund increased by $151,649). Expenditures throughout the county have been held to a minimum of spending.

- The difference between capital outlays purchases, disposals, and depreciation decreased net position $1,023,277. The decrease comes from limiting capital outlay to current resources and not issuing debt to fund the projects.

- The treatment of long-term debt and related items increased net position $1,672,930. The increase is the effect of minimizing new debt and retiring debt as it matures.

- The change in the net pension liability/assets and the deferred outflows/inflows had a positive effect on the net position by $825,369. Pensions are just one of some expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

- Net revenue expenses of the internal services funds, included in the government activities resulted in a decrease of $230,826.

ANDERSON COUNTY
STATEMENT OF ACTIVITIES

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues:		
Charges for Services	$ 8,215,104	$ 8,173,999
Operating Grants and Contributions	3,099,104	3,450,460
Capital Grants and Contributions	717,325	293,852
General Revenues:		
Local Taxes	20,502,681	19,615,319
State and Federal - Unrestricted	5,013,622	4,870,251
Investment Income	25,252	28,659
Miscellaneous	26,921	44,590
Total Revenues	$ 37,600,009	$ 36,477,130
Expenses		
General Government	$ 4,722,322	$ 4,525,344
Finance	2,833,421	2,708,370
Administration of Justice	3,045,914	2,856,117
Public Safety	13,040,212	12,363,564
Public Health and Welfare	2,918,888	2,854,886
Social, Cultural, and Recreational Services	1,145,163	1,414,105
Agriculture and Natural Resources	228,116	209,378
Highways	2,464,000	3,189,101
Education	1,200,000	400,000
Interest and Other Debt Service Costs	1,892,076	1,877,096
Total Expenses	$ 33,490,112	$ 32,397,961
Increase (Decrease) in Net Position Before Transfers	$ 4,109,897	$ 4,079,169
Transfers (to)/from Business Activities	(172,312)	(628,381)
Change in Net Positon	$ 3,937,585	$ 3,450,788
Net Position, Beginning of Year	(4,830,023)	(7,275,900)
Net Position, Restatement (See Note I.D.9 of 2015 Audit)	0	(1,004,911)
Net Position, End of Year	$ (892,438)	$ (4,830,023)

The DPCU School Department's net position increased by $3,370,995 during the current fiscal year. Elements key to this increase include:

- Total fund balances of governmental funds increased $1,321,882. The DPCU School Department has completed all the capital outlay projects where the funding was received in the prior years. The 2016-2017 tax rate includes an allocation of taxes as revenue for the Education Capital Project Fund. Therefore, the Balance Sheet of this fund reflects Property Taxes Receivables, Allowance for Uncollectible Taxes and Deferred Current Property Taxes on June 30, 2016. These accounts offset each other with no effect on the June 30, 2016 fund balance.

- The difference between capital outlays and depreciation decreased net position $2,091,477. This increase is largely due to depreciation of $2,593,008 being expensed in the current year.

- The change in the net pension liability/asset and the deferred outflows/inflows had a positive effect on the net position by $3,839,258. Pensions are just one of some expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

ANDERSON COUNTY
STATEMENT OF ACTIVITIES

	DPCU School Department	
	2016	2015
Revenues		
Program Revenues:		
Charges for Services	$ 850,109	$ 917,857
Operating Grants and Contributions	11,501,429	10,978,800
Capital Grants and Contributions	1,355,263	406,102
General Revenues:		
Local Taxes	22,839,661	21,595,601
State and Federal - Unrestricted	30,038,500	29,785,500
Pension Income	0	116,634
Investment Income	7,288	114
Miscellaneous	163,312	167,225
Total Revenues	$ 66,755,562	$ 63,967,833
Expenses		
Education	$ 63,384,567	$ 62,471,962
Total Expenses	$ 63,384,567	$ 62,471,962
Change in Net Position	$ 3,370,995	$ 1,495,871
Net Position, Beginning of Year	43,481,844	52,988,313
Net Position, Restatement (See Note I.D.9 of 2015 Audit)	0	(11,002,340)
Net Position, End of Year	$ 46,852,839	$ 43,481,844

ANDERSON COUNTY
STATEMENT OF ACTIVITIES

	Business-type Activities ACEMS 2016	Business-type Activities ACEMS 2015
Revenues		
Program Revenues:		
Charges for Services	$ 4,912,868	$ 5,033,696
Total Revenues	$ 4,912,868	$ 5,033,696
Expenses		
Ambulance Service	$ 5,542,626	$ 5,477,030
Total Expenses	$ 5,542,626	$ 5,477,030
Operating Income (Loss)	$ (629,758)	$ (443,334)
Transfers In (Out)	172,312	628,381
Change in Net Position	(457,446)	185,047
Net Position, Beginning of Year	1,365,780	1,401,323
Net Position, Restatement (See Note I.D.9 in 2015 Audit)	0	(220,590)
Net Position, End of Year	$ 908,334	$ 1,365,780

The Business-type Activities net position decreased by $457,446 during the current fiscal year. This is attributed to the transfer from the General Fund decreasing by $456,069.

Governmental Activities. Governmental type activities provided by the county primarily are general government: 14%, public safety 39%, and highways 7%.

The DPCU School Department provides public education for children in kindergarten through twelfth grade who are residents of Anderson County with the exception of those that attend the school systems operated by the cities of Clinton and Oak Ridge.

Revenue for the primary government activities has classified as program revenues, $12,031,533 which includes charges for current services and certain grants which relate specifically to identifiable programs. These revenues provided 32% of total revenue of $37,600,009. Other revenues were classified as general revenue, which includes primarily property taxes, grants and contributions, which do not relate to specific programs, local option sales, business tax and various other taxes $25,568,476. These revenues provided 68% of total revenue.

The revenues for the DPCU School Department government activities were classified in the same manner as those of the primary government. Program revenue of $13,706,801 provided 21% of the total revenue. General revenue of $53,048,761 provided 79% of total revenue of $66,755,562.

The Business-type Activity of the county is for ambulance services provided through the Ambulance Service Fund. The entire amount of revenue has been classified as program revenue as Charges for Services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The county's investment in capital assets for its governmental activities as of June 30, 2016, totaled $33,313,680 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building and improvements, other capital assets, and infrastructure (roads and bridges). Netting the outstanding debt, which relates to these capital assets, results in a Net Investment in Capital Assets of $13,682,164 being reflect as a component of Net Position. The DPCU School Department's investment in capital assets for its governmental activities as of June 30, 2016, totaled $46,675,277 (net of accumulated depreciation). As already noted under the Financial Highlights, the DPCU does not issued its own debt to obtain capital assets; therefore, this same amount is reflected as a component of Net Position of the DPCU School Department.

Note IV.B. (Capital Assets) provides capital assets activity during the 2016 fiscal year. During fiscal year 2016, the county purchased $801,138 of capital assets, disposed of assets with a book value of $9,911 and recognized depreciation expense of $1,762,997. The DPCU School Department purchased $501,531 and recognized depreciation expense of $2,593,008.

Long-term Debt. At the end of the 2016 fiscal year, the county had total general obligation bonds, other loans, capital outlay notes, and capital leases outstanding of $55,846,745. Of this amount, $35,687,997 is expected to be contributed by the DPCU School Department. Of the total long-term debt, $194,000 will be paid by the Ambulance Service Fund. Exhibit L-2 reflects the future requirements to retire the long term debt.

In addition to the above debt, county long-term obligations include compensated absences and other long-term liabilities. Additional information on the county's long-term obligations can be found in Note IV.G. of this report. Note I.D.6. discusses compensated absences.

The county's most recent bond rating from Moody's Investor Services was Aa2.

FINANCIAL ANALYSIS OF FUND FINANCIAL STATEMENTS

As previously discussed, the county and the DPCU School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the county and the DPCU School Department governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing the county's and DPCU School Department's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2016, the county's total fund balances for the governmental funds reported combined ending fund balances of $21,138,745, which is an increase of $2,742,559 when compared to year-end 2015. The unassigned fund balance of $4,511,788 is the amount available for future appropriations in the General Fund. The assigned fund balance of $702,220 is assigned for various purposes in the General Fund. Restricted fund balances of $11,073,894 are for unexpended restricted revenues. Committed fund balances of $3,763,772 represent amounts committed by the county commissioners for various purposes. The remaining fund balance component (Nonspendable) of $1,087,071 is for amounts of assets that cannot be utilized to fund current expenditures. Included in this amount is a long-term receivable from the Enterprise Fund to the General Fund of $926,753.

The county's main operating fund is the General Fund. At year-end 2016, the total General Fund's balance was $10,485,984 with unassigned fund balance totaling $4,511,788. The unassigned fund balance represents 19% of total General Fund expenditures and transfers out during 2016. The balance in the General Fund increased by $1,268,298 during 2016.

The Highway/Public Works Fund balance was $3,508,655, which is an increase of $1,284,703 from 2015. This increase is primarily resulted from a 16% increase in current revenue and a 22% decrease in expenditures. This balance represents 131% of current year expenditures.

The General Debt Service Fund reflected an increase in its fund balance by $151,649 during the fiscal year 2016. This increase brings the fund balance total to $3,133,536. This balance represents 198% of the current-year's payments for non-educational debt service.

The DPCU School Department's main operating fund is the General Purpose School Fund. At year-end 2016, the fund balance of this fund was $3,877,921, with an unassigned balance of $3,169,724. The unassigned balance represents 6% of current-year expenditures. The balance in this fund increased $1,160,176 during the fiscal year.

Proprietary Funds. The county's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position and the percentage of total net position of each proprietary fund are as follows:

Employee Health Insurance Fund (Internal Service Fund)	$ (148,893)	N/A
Channel 95 (Internal Service Fund)	133,464	100%
Ambulance Service Fund (Enterprise Fund)	(43,945)	N/A

The proprietary fund financial statements can be found as Exhibits D-1 through D-3 in the basic financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budgeted expenditures for the General Fund was $3,316,854.

The following are the primary components of the increase:

- A net increase of $322,493 in General Government reflects primarily: an increase of

$103,349 in the County Attorney function to cover addition legal services in a lawsuit that the County Attorney was not independent of the parties; an increase of $59,848 in County Buildings to cover additional utilities and other construction; an increase of $49,861 in Other General Administration for additional other contracted services and other charges; and an increase of $25,467 in Preservation of Records for contracted services.

- A net increase of $182,361 in Finance reflects primarily: an increase of $97,794 in the Accounting and Budgeting primarily for capital outlay of $75,000 and $14,381 for adjustments for payroll and benefits; an increase of $31,096 in Purchasing primarily for adjustments for payroll and benefits; an increase of $19,315 in Reappraisal Program primarily for capital outlay; and an increase of $23,924 in County Clerk's office due to an adjustment in payroll and befits, data processing services and postal charges.

- A net increase of $68,485 in Administration of Justices reflects primarily: an increase of $38,682 in General Sessions Judge primarily for an adjustment to payroll and benefits; an increase of $52,848 in Chancery Court for an adjustment for payroll and benefits, data processing equipment and data processing equipment; and decreases of $22,973 in Juvenile Court and of $7,043 in District Attorney General primarily for adjustments payroll and benefits.

- A net increase of $540,940 in Public Safety consisted mainly of: a net increase of $39,626 in the Sheriff's Department for adjustment for payroll and benefits (decrease of $9,035), communications (increase of $28,000), gasoline (decrease of $75,000), and capital outlay (increase of $61,347); an increase of $349,171 in the Civil Defense department primarily to fund the purchase and contribution of one fire truck at a cost of $229,533 above the original amount budgeted to a Volunteer Fire Department and an increase of $87,021 in other supplies and material; and an increase of $162,104 in the County Coroner/Medical Examiner for funding based on a contractual agreement with Knox County, Tennessee Medical Examiner's office to provide services based on an annual basis of $272,117.

- An increase of $91,966 in Social, Cultural and Recreation is the result of the county commission's approval to fund the operations of the Senior Citizens Center during the year.

- An increase of $1,042,038 in the Other Operations is primarily the result of county commission; approval to fund certain projects, including $500,000 for the benefit of the Tennessee College of Applied Technology, $300,000 for paving certain roads located within the Industrial Park; and $238,712 overseen by the Anderson County Economic Development Association.

- An increase of $431,726 in the Public Safety Projects was for the sidewalk projects in Rocky Top and Andersonville financed by current and future grants proceeds.

- An increase of $640,291 in the Public Utility Projects was appropriations related to a project being overseen by Anderson County to be financed by current and future grants.

The increases were funded mainly with additional anticipated revenues (federal and state grants), restricted, assigned and unassigned fund balances.

Actual General Fund revenues were $19,204 less than the final budgeted revenues. The key factors for this was most local revenues (including local taxes, charges for current services, and other local generated revenues) were collected above the budgeted amount by $745,962 and actual State and Federal Revenue was below the budgeted amount by 839,036.

Actual General Fund expenditures were $4,600,970 lower than final budgeted expenditures. This variance was largely due to the above noted increase in the Other Operations and the Capital Projects reflecting two projects based budgets and the projects were not completed during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During the preparation of the fiscal year 2017 budget, the following major assumptions were used:

- County Commission approved the same total tax rate as for the 2015 tax year; however, allocation of this rate between funds changed.
- The county plans to utilize $557,749 of unassigned fund balance to balance the General Fund budget.

REQUESTS FOR INFORMATION

This MD&A and accompanying financial statements and notes are designed to provide our citizens, parents, students, employees, creditors, and regulatory agencies with an overview of the county's finances. If you have any questions or need additional information, you may contact:

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Anderson County, Tennessee
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Clinton, Tennessee 37716-3625
865-457-6203 (phone) 865-457-6254 (fax)
Email: nerb@andersontn.org

BASIC FINANCIAL STATEMENTS

Exhibit A

Anderson County, Tennessee
Statement of Net Position
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Anderson County School Department	Emergency Communica-tions District
ASSETS					
Cash	$ 216,233	$ 0	$ 216,233	$ 162,855	$ 1,390,083
Equity in Pooled Cash and Investments	19,883,198	566,384	20,449,582	5,718,948	0
Inventories	24,295	0	24,295	22,410	0
Investments	18,637	0	18,637	0	0
Accounts Receivable	487,218	1,916,080	2,403,298	4,111	0
Allowance for Uncollectible	0	(1,158,309)	(1,158,309)	0	0
Due from Other Governments	1,294,047	0	1,294,047	1,852,097	0
Due from Primary Government	0	0	0	5,824	0
Internal Balances	935,884	(935,884)	0	0	0
Due from Component Units	422,255	0	422,255	0	0
Property Taxes Receivable	18,421,194	0	18,421,194	16,115,562	0
Allowance for Uncollectible Property Taxes	(778,065)	0	(778,065)	(668,053)	0
Prepaid Items	136,023	17,823	153,846	870	44,724
Net Pension Asset - Agent Plan	1,235,085	265,079	1,500,164	761,503	0
Net Pension Asset - Teacher Retirement Plan	0	0	0	9,104	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,715,743	82,950	1,798,693	865,214	0
Construction in Progress	14,000	52,171	66,171	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	22,433,700	302,173	22,735,873	43,597,796	0
Other Capital Assets	3,321,836	392,267	3,714,103	2,212,267	750,080
Infrastructure	5,828,401	0	5,828,401	0	0
Total Assets	$ 75,609,684	$ 1,500,734	$ 77,110,418	$ 70,660,508	$ 2,184,887

(Continued)

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

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Anderson County School Department	Component Units: Emergency Communications District
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	$ 31,984	$ 0	$ 31,984	$ 0	$ 0
Pension Changes in Experience	0	0	0	252,179	0
Pension Contributions After Measurement Date	925,748	210,985	1,136,733	3,165,639	0
Other Deferrals	0	0	0	99,889	0
Total Deferred Outflows of Resources	$ 957,732	$ 210,985	$ 1,168,717	$ 3,517,707	$ 0
LIABILITIES					
Accounts Payable	$ 657,359	$ 108,613	$ 765,972	$ 1,099,034	$ 6,712
Accrued Payroll	219,182	44,834	264,016	0	0
Accrued Interest Payable	294,756	0	294,756	0	0
Payroll Deductions Payable	266,541	52,464	319,005	727,417	0
Contracts Payable	50,488	0	50,488	175,000	0
Due to Primary Government	0	0	0	422,255	0
Due to Component Units	5,824	0	5,824	0	0
Due to State of Tennessee	1,457	0	1,457	17	0
Other Current Liabilities	362,548	0	362,548	31	0
Noncurrent Liabilities:					
Due Within One Year	3,889,051	86,869	3,975,920	283,838	0
Due in More Than One Year	53,158,549	193,129	53,351,678	1,760,648	0
Total Liabilities	$ 58,905,755	$ 485,909	$ 59,391,664	$ 4,468,240	$ 6,712
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 17,074,875	$ 0	$ 17,074,875	$ 14,968,002	$ 0
Pension Changes in Experience	1,056,799	226,814	1,283,613	5,545,511	0
Pension Changes in Investment Earnings	422,425	90,662	513,087	2,288,453	0
Pension Other Deferrals	0	0	0	55,170	0
Total Deferred Inflows of Resources	$ 18,554,099	$ 317,476	$ 18,871,575	$ 22,857,136	$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Anderson County School Department	Emergency Communications District
NET POSITION					
Net Investment in Capital Assets	$ 13,682,164	$ 687,200	$ 14,369,364	$ 46,675,277	$ 750,080
Restricted for:					
General Government	77,455	0	77,455	0	0
Finance	56,626	0	56,626	0	0
Administration of Justice	663,791	0	663,791	0	0
Public Safety	692,038	0	692,038	0	0
Public Health and Welfare	493,754	0	493,754	0	0
Social, Cultural, and Recreational Services	613,050	0	613,050	0	0
Highway/Public Works	3,678,033	0	3,678,033	0	0
Debt Service	2,839,152	0	2,839,152	0	0
Capital Projects	26,729	0	26,729	601,831	0
Education	0	0	0	2,028,111	0
Other Purposes	1,235,085	265,079	1,500,164	0	0
Unrestricted	(24,950,315)	(43,945)	(24,994,260)	(2,452,380)	1,428,095
Total Net Position	$ (892,438)	$ 908,334	$ 15,896	$ 46,852,839	$ 2,178,175

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

Exhibit B

Anderson County, Tennessee
Statement of Activities
For the Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Anderson County School Department	Emergency Communica- tions District
Primary Government:									
Governmental Activities:									
General Government	$ 4,722,322	$ 947,657	$ 110,351	$ 0	$ (3,664,314)	$ 0	$ (3,664,314)	$ 0	$ 0
Finance	2,833,421	2,397,467	0	0	(435,954)	0	(435,954)	0	0
Administration of Justice	3,045,914	1,833,834	103,630	0	(1,108,450)	0	(1,108,450)	0	0
Public Safety	13,040,212	1,795,679	416,166	255,300	(10,573,067)	0	(10,573,067)	0	0
Public Health and Welfare	2,918,888	778,187	324,990	81,549	(1,734,162)	0	(1,734,162)	0	0
Social, Cultural, and Recreational Services	1,145,163	296,552	27,798	0	(820,813)	0	(820,813)	0	0
Agriculture and Natural Resources	228,116	0	0	0	(228,116)	0	(228,116)	0	0
Highways	2,464,000	165,728	2,116,169	380,476	198,373	0	198,373	0	0
Education	1,200,000	0	0	0	(1,200,000)	0	(1,200,000)	0	0
Debt Service:									
Interest on Long-term Debt	1,892,076	0	0	0	(1,892,076)	0	(1,892,076)	0	0
Total Governmental Activities	$ 33,490,112	$ 8,215,104	$ 3,099,104	$ 717,325	$ (21,458,579)	$ 0	$ (21,458,579)	$ 0	$ 0
Business-type Activities:									
Ambulance Service	$ 5,542,626	$ 4,912,868	$ 0	$ 0	$ 0	$ (629,758)	$ (629,758)	$ 0	$ 0
Total Business-type Activities	$ 5,542,626	$ 4,912,868	$ 0	$ 0	$ 0	$ (629,758)	$ (629,758)	$ 0	$ 0
Total Primary Government	$ 39,032,738	$ 13,127,972	$ 3,099,104	$ 717,325	$ (21,458,579)	$ (629,758)	$ (22,088,337)	$ 0	$ 0
Component Units:									
Anderson County School Department	$ 63,384,567	$ 850,109	$ 11,501,429	$ 1,355,263	$ 0	$ 0	$ 0	$ (49,677,766)	$ 0
Emergency Communications District	458,871	397,799	0	0	0	0	0	0	(61,072)
Total Component Units	$ 63,843,438	$ 1,247,908	$ 11,501,429	$ 1,355,263	$ 0	$ 0	$ 0	$ (49,677,766)	$ (61,072)

(Continued)

Exhibit B

Anderson County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Anderson County School Department	Emergency Communications District
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					$ 14,147,789	$ 0	$ 14,147,789	$ 15,279,492	$ 0
Property Taxes Levied for Debt Service					3,431,206	0	3,431,206	0	0
Property Taxes Levied for Capital Projects					24,975	0	24,975	0	0
Local Option Sales Taxes					974,149	0	974,149	7,553,913	0
Hotel/Motel Tax					354,431	0	354,431	0	0
Litigation Tax					322,021	0	322,021	0	0
Business Tax					932,049	0	932,049	0	0
Wholesale Beer Tax					153,951	0	153,951	0	0
Mineral and Coal Severance Tax					93,556	0	93,556	0	0
Gas and Oil Severance Tax					53,666	0	53,666	0	0
Other Local Taxes					14,888	0	14,888	6,256	0
Grants and Contributions Not Restricted to Specific Programs					5,013,622	0	5,013,622	30,038,500	0
Unrestricted Investment Income					25,252	0	25,252	7,288	7,979
Miscellaneous					26,921	0	26,921	163,312	0
Total General Revenues					$ 25,568,476	$ 0	$ 25,568,476	$ 53,048,761	$ 7,979
Transfers In (Out)					$ (172,312)	$ 172,312	$ 0	$ 0	$ 0
Change in Net Position					$ 3,937,585	$ (457,446)	$ 3,480,139	$ 3,370,995	$ (53,093)
Net Position, July 1, 2015					(4,830,023)	1,365,780	(3,464,243)	43,481,844	2,231,268
Net Position, June 30, 2016					$ (892,438)	$ 908,334	$ 15,896	$ 46,852,839	$ 2,178,175

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

Exhibit C-1

Anderson County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 52,399	$ 0	$ 0	$ 2,133	$ 54,532
Equity in Pooled Cash and Investments	9,444,593	3,319,873	3,133,541	3,883,177	19,781,184
Inventories	0	24,295	0	0	24,295
Accounts Receivable	197,887	3,455	502	140,390	342,234
Due from Other Governments	725,150	534,788	14,122	19,987	1,294,047
Due from Other Funds	945,031	12,683	0	22,588	980,302
Due from Component Units	387	6,673	0	0	7,060
Property Taxes Receivable	12,503,527	515,384	1,832,414	3,569,869	18,421,194
Allowance for Uncollectible Property Taxes	(526,274)	(26,521)	(76,539)	(148,731)	(778,065)
Prepaid Items	33,393	0	0	102,630	136,023
Total Assets	$ 23,376,093	$ 4,390,630	$ 4,904,040	$ 7,592,043	$ 40,262,806
LIABILITIES					
Accounts Payable	$ 286,218	$ 120,598	$ 250	$ 149,329	$ 556,395
Accrued Payroll	197,293	12,912	0	8,314	218,519
Payroll Deductions Payable	238,998	15,783	0	10,970	265,751
Contracts Payable	38,899	11,589	0	0	50,488
Due to Other Funds	22,200	0	16,355	5,863	44,418
Due to Component Units	0	0	5,824	0	5,824
Other Current Liabilities	22,200	0	0	0	22,200
Sales Tax	1,457	0	0	0	1,457
Total Liabilities	$ 807,265	$ 160,882	$ 22,429	$ 174,476	$ 1,165,052

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 11,592,847	$ 465,506	$ 1,700,455	$ 3,316,067	$ 17,074,875
Deferred Delinquent Property Taxes	330,308	20,070	47,620	90,930	488,928
Other Deferred/Unavailable Revenue	159,689	235,517	0	0	395,206
Total Deferred Inflows of Resources	$ 12,082,844	$ 721,093	$ 1,748,075	$ 3,406,997	$ 17,959,009
FUND BALANCES					
Nonspendable:					
Long-term Receivable	$ 926,753	$ 0	$ 0	$ 0	$ 926,753
Inventory	0	24,295	0	0	24,295
Prepaid Items	33,393	0	0	102,630	136,023
Restricted:					
Restricted for General Government	77,455	0	0	0	77,455
Restricted for Finance	56,626	0	0	0	56,626
Restricted for Administration of Justice	663,791	0	0	0	663,791
Restricted for Public Safety	318,646	0	0	373,392	692,038
Restricted for Public Health and Welfare	244,427	0	0	221,345	465,772
Restricted for Social, Cultural, and Recreational Services	0	0	0	605,116	605,116
Restricted for Highways/Public Works	0	3,484,360	0	0	3,484,360
Restricted for Capital Outlay	0	0	0	26,011	26,011
Restricted for Debt Service	0	0	2,900,655	1,542,007	4,442,662
Restricted for Capital Projects	14,350	0	0	545,713	560,063
Committed:					
Committed for General Government	177,185	0	0	0	177,185
Committed for Finance	156,926	0	0	0	156,926
Committed for Public Safety	469,066	0	0	841	469,907

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
FUND BALANCES (Cont.)	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Committed (Cont.):					
Committed for Public Health and Welfare	$ 93,406	$ 0	$ 0	$ 0	$ 93,406
Committed for Highways/Public Works	284,608	0	0	0	284,608
Committed for Capital Outlay	254,623	0	0	0	254,623
Committed for Debt Service	0	0	232,881	96,615	329,496
Committed for Capital Projects	1,242,285	0	0	496,900	1,739,185
Committed for Other Purposes	258,436	0	0	0	258,436
Assigned:					
Assigned for General Government	566,642	0	0	0	566,642
Assigned for Finance	69,027	0	0	0	69,027
Assigned for Administration of Justice	3,500	0	0	0	3,500
Assigned for Public Safety	20,000	0	0	0	20,000
Assigned for Public Health and Welfare	43,051	0	0	0	43,051
Unassigned	4,511,788	0	0	0	4,511,788
Total Fund Balances	$ 10,485,984	$ 3,508,655	$ 3,133,536	$ 4,010,570	$ 21,138,745
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 23,376,093	$ 4,390,630	$ 4,904,040	$ 7,592,043	$ 40,262,806

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

Exhibit C-2

Anderson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

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)		$ 21,138,745
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,715,743	
Add: construction in progress	14,000	
Add: infrastructure net of accumulated depreciation	5,828,401	
Add: buildings and improvements net of accumulated depreciation	22,382,193	
Add: other capital assets net of accumulated depreciation	3,321,836	33,262,173
(2) Internal service funds are used by management to charge the cost of employee health insurance to individual funds and to reflect activities of the county television station. The assets and liabilities are included in governmental activities in the statement of net position:		
Add: capital assets	$ 51,507	
Add: current assets	427,336	
Less: liabilities	(442,765)	36,078
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	$ (1,682,802)	
Less: other loans payable	(11,350,279)	
Less: bonds payable	(41,865,000)	
Less: capital lease payable	(754,664)	
Add: deferred amount on refunding	31,984	
Add: debt to be contributed by the School Department	415,195	
Less: unamortized premium on debt	(654,317)	
Less: other postemployment benefits liability	(192,653)	
Less: compensated absences payable	(547,885)	
Less: accrued interest on bonds, notes, and other loans	(294,756)	(56,895,177)
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	925,748	
Less: deferred inflows of resources related to pensions	(1,479,224)	(553,476)
(5) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		1,235,085
(6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		884,134
Net position of governmental activities (Exhibit A)		$ (892,438)

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

Exhibit C-3

Anderson County, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 16,851,499	$ 1,140,903	$ 1,697,257	$ 3,590,017	$ 23,279,676
Licenses and Permits	304,082	0	0	0	304,082
Fines, Forfeitures, and Penalties	396,915	0	0	63,119	460,034
Charges for Current Services	606,285	0	0	523,901	1,130,186
Other Local Revenues	551,722	165,967	5,135	48,887	771,711
Fees Received From County Officials	3,979,478	0	0	0	3,979,478
State of Tennessee	2,519,605	2,552,032	0	81,872	5,153,509
Federal Government	558,706	86,760	28,245	35,159	708,870
Other Governments and Citizens Groups	151,359	1,836	0	1,629,598	1,782,793
Total Revenues	$ 25,919,651	$ 3,947,498	$ 1,730,637	$ 5,972,553	$ 37,570,339
Expenditures					
Current:					
General Government	$ 3,481,537	$ 0	$ 0	$ 945	$ 3,482,482
Finance	2,909,277	0	0	573	2,909,850
Administration of Justice	3,085,247	0	0	5,650	3,090,897
Public Safety	12,209,507	0	0	47,872	12,257,379
Public Health and Welfare	1,146,239	0	0	1,567,539	2,713,778
Social, Cultural, and Recreational Services	92,163	0	0	552,397	644,560
Agriculture and Natural Resources	231,371	0	0	0	231,371
Other Operations	848,332	0	0	382,147	1,230,479
Highways	0	2,664,137	0	0	2,664,137
Debt Service:					
Principal on Debt	0	0	844,892	2,131,494	2,976,386
Interest on Debt	0	0	681,203	1,165,959	1,847,162
Other Debt Service	0	0	52,893	39,518	92,411

(Continued)

Exhibit C-3

Anderson 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	$ 194,992	$ 0	$ 0	$ 1,257,085	$ 1,452,077
Total Expenditures	$ 24,198,665	$ 2,664,137	$ 1,578,988	$ 7,151,179	$ 35,592,969
Excess (Deficiency) of Revenues Over Expenditures	$ 1,720,986	$ 1,283,361	$ 151,649	$ (1,178,626)	$ 1,977,370
Other Financing Sources (Uses)					
Notes Issued	$ 0	$ 0	$ 0	$ 1,200,000	$ 1,200,000
Proceeds from Sale of Capital Assets	7,928	1,342	0	435	9,705
Insurance Recovery	19,389	0	0	0	19,389
Transfers In	0	0	0	49,100	49,100
Transfers Out	(480,005)	0	0	(33,000)	(513,005)
Total Other Financing Sources (Uses)	$ (452,688)	$ 1,342	$ 0	$ 1,216,535	$ 765,189
Net Change in Fund Balances	$ 1,268,298	$ 1,284,703	$ 151,649	$ 37,909	$ 2,742,559
Fund Balance, July 1, 2015	9,217,686	2,223,952	2,981,887	3,972,661	18,396,186
Fund Balance, June 30, 2016	$ 10,485,984	$ 3,508,655	$ 3,133,536	$ 4,010,570	$ 21,138,745

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

Exhibit C-4

Anderson 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, 2016

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)		$ 2,742,559
(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	$ 748,758	
Less: current-year depreciation expense	(1,762,124)	(1,013,366)
(2) The effect of various miscellaneous transactions involving capital assets (sales, trades-ins, and donations) is to increase (decrease) net position:		
Less: book value of capital assets disposed		(9,911)
(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, 2016	$ 884,134	
Less: deferred delinquent property taxes and other deferred June 30, 2015	(894,993)	(10,859)
(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:		
Add: principal payments on bonds	$ 1,985,000	
Add: principal payments on notes	155,207	
Add: principal payments on other loans	662,764	
Add: principal payments on capital leases	173,415	
Add: change in premium on debt issuances	73,069	
Less: issuance of notes	(1,200,000)	
Less: contributions from the School Department for notes and capital leases	(140,490)	
Less: change in deferred amount on refunding debt	(36,035)	1,672,930
(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	$ 10,463	
Change in other postemployment benefits liability	(21,413)	
Change in net pension asset	217,092	
Change in deferred outflows related to pensions	43,007	
Change in deferred inflows related to pensions	565,270	
Change in compensated absences payable	(27,361)	787,058
(6) Internal service funds are used by management to charge the cost of employee health benefits to individual funds and to reflect activities of the county television station. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		(230,826)
Change in net position of governmental activities (Exhibit B)		$ 3,937,585

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

Anderson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 16,851,499	$ 0	$ 0	$ 16,851,499	$ 16,495,200	$ 16,497,600	$ 353,899
Licenses and Permits	304,082	0	0	304,082	247,400	247,400	56,682
Fines, Forfeitures, and Penalties	396,915	0	0	396,915	369,000	369,000	27,915
Charges for Current Services	606,285	0	0	606,285	452,700	477,156	129,129
Other Local Revenues	551,722	0	0	551,722	483,863	483,863	67,859
Fees Received From County Officials	3,979,478	0	0	3,979,478	3,860,000	3,869,000	110,478
State of Tennessee	2,519,605	0	0	2,519,605	2,711,789	2,536,904	(17,299)
Federal Government	558,706	0	0	558,706	43,409	1,380,443	(821,737)
Other Governments and Citizens Groups	151,359	0	0	151,359	75,596	77,489	73,870
Total Revenues	$ 25,919,651	$ 0	$ 0	$ 25,919,651	$ 24,738,957	$ 25,938,855	$ (19,204)
Expenditures							
General Government							
County Commission	$ 289,945	$ 0	$ 0	$ 289,945	$ 301,588	$ 301,399	$ 11,454
Board of Equalization	6,429	0	0	6,429	7,702	7,702	1,273
Other Boards and Committees	323,396	0	0	323,396	312,753	339,910	16,514
County Mayor/Executive	262,848	0	0	262,848	262,703	271,424	8,576
Personnel Office	183,321	0	0	183,321	156,434	186,540	3,219
County Attorney	405,273	0	0	405,273	316,681	420,030	14,757
Election Commission	382,275	0	0	382,275	444,238	445,626	63,351
Register of Deeds	407,573	0	0	407,573	396,715	408,102	529
Planning	194,605	0	0	194,605	234,279	234,763	40,158
Building	26,655	(4,914)	0	21,741	50,000	54,914	33,173
County Buildings	731,002	0	0	731,002	833,105	892,953	161,951
Other General Administration	211,519	0	0	211,519	221,425	271,286	59,767
Preservation of Records	56,696	0	0	56,696	37,723	63,190	6,494
Finance							
Accounting and Budgeting	639,935	0	64,381	704,316	639,493	737,287	32,971
Purchasing	226,628	0	0	226,628	227,925	259,021	32,393
Property Assessor's Office	347,911	0	0	347,911	380,568	388,763	40,852

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Finance (Cont.)							
Reappraisal Program	$ 242,726	$ 0	$ 0	$ 242,726	$ 233,200	$ 252,515	$ 9,789
County Trustee's Office	619,034	0	0	619,034	634,489	636,526	17,492
County Clerk's Office	833,043	0	0	833,043	819,633	843,557	10,514
Administration of Justice							
Circuit Court	1,114,593	0	0	1,114,593	1,148,586	1,159,541	44,948
Criminal Court	358	0	0	358	2,058	2,058	1,700
General Sessions Judge	665,124	0	0	665,124	652,216	690,898	25,774
Drug Court	71,055	0	0	71,055	74,224	75,141	4,086
Chancery Court	497,471	(2,325)	0	495,146	453,415	506,263	11,117
Juvenile Court	551,809	0	0	551,809	596,890	573,917	22,108
District Attorney General	39,499	0	0	39,499	47,297	40,254	755
Office of Public Defender	25,077	0	0	25,077	32,207	32,207	7,130
Judicial Commissioners	1,242	0	0	1,242	2,154	2,154	912
Probate Court	2,302	0	0	2,302	3,935	2,935	633
Other Administration of Justice	81,218	0	0	81,218	99,015	95,114	13,896
Courtroom Security	13,108	0	0	13,108	78,100	78,100	64,992
Victim Assistance Programs	22,391	0	0	22,391	26,750	26,750	4,359
Public Safety							
Sheriff's Department	4,790,568	(71,724)	0	4,718,844	4,910,511	4,950,137	231,293
Jail	5,582,469	0	0	5,582,469	5,856,872	5,859,995	277,526
Correctional Incentive Program Improvements	64,605	0	0	64,605	150,467	150,467	85,862
Commissary	7,950	0	0	7,950	20,000	27,000	19,050
Civil Defense	600,458	(230,487)	0	369,971	434,645	783,816	413,845
Rescue Squad	26,000	0	0	26,000	26,000	26,000	0
Other Emergency Management	655,954	0	0	655,954	812,993	792,379	136,425
County Coroner/Medical Examiner	212,763	0	0	212,763	110,000	272,104	59,341
Other Public Safety	268,740	0	0	268,740	366,387	366,917	98,177
Public Health and Welfare							
Local Health Center	255,295	0	0	255,295	307,470	369,597	114,302

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Public Health and Welfare (Cont.)							
Rabies and Animal Control	$ 135,857	$ 0	$ 0	$ 135,857	$ 140,770	$ 142,371	$ 6,514
Dental Health Program	319,043	0	0	319,043	429,507	460,769	141,726
Alcohol and Drug Programs	5,000	0	0	5,000	10,000	10,000	5,000
Other Local Health Services	308,924	0	0	308,924	479,080	381,835	72,911
Appropriation to State	122,120	0	0	122,120	123,486	122,120	0
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	89,163	0	0	89,163	0	91,966	2,803
Parks and Fair Boards	3,000	0	0	3,000	3,000	3,000	0
Agriculture and Natural Resources							
Agricultural Extension Service	142,502	0	0	142,502	167,768	167,414	24,912
Soil Conservation	53,756	0	0	53,756	54,256	54,785	1,029
Storm Water Management	35,113	0	0	35,113	35,438	35,438	325
Other Operations							
Industrial Development	186,545	0	0	186,545	470,012	1,508,724	1,322,179
Veterans' Services	105,630	0	0	105,630	103,160	106,486	856
Other Charges	442,713	0	0	442,713	456,600	456,600	13,887
Miscellaneous	113,444	0	0	113,444	94,390	94,390	(19,054)
Capital Projects							
Public Safety Projects	155,691	(10,450)	20,000	165,241	0	431,726	266,485
Public Utility Projects	39,301	0	43,051	82,352	0	640,291	557,939
Total Expenditures	$ 24,198,665	$ (319,900)	$ 127,432	$ 24,006,197	$ 25,290,313	$ 28,607,167	$ 4,600,970
Excess (Deficiency) of Revenues Over Expenditures	$ 1,720,986	$ 319,900	$ (127,432)	$ 1,913,454	$ (551,356)	$ (2,668,312)	$ 4,581,766
Other Financing Sources (Uses)							
Proceeds from Sale of Capital Assets	$ 7,928	$ 0	$ 0	$ 7,928	$ 0	$ 0	$ 7,928
Insurance Recovery	19,389	0	0	19,389	0	17,399	1,990
Transfers In	0	0	0	0	200,000	200,000	(200,000)

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses) (Cont.)							
Transfers Out	$ (480,005) $	0 $	0 $	(480,005) $	(61,100) $	(480,005) $	0
Total Other Financing Sources	$ (452,688) $	0 $	0 $	(452,688) $	138,900 $	(262,606) $	(190,082)
Net Change in Fund Balance	$ 1,268,298 $	319,900 $	(127,432) $	1,460,766 $	(412,456) $	(2,930,918) $	4,391,684
Fund Balance, July 1, 2015	9,217,686	(319,900)	0	8,897,786	4,283,011	4,283,011	4,614,775
Fund Balance, June 30, 2016	$ 10,485,984 $	0 $	(127,432) $	10,358,552 $	3,870,555 $	1,352,093 $	9,006,459

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

Exhibit C-6

Anderson 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, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 1,140,903	$ 0	$ 0	$ 1,140,903	$ 1,146,200	$ 1,146,200	$ (5,297)
Other Local Revenues	165,967	0	0	165,967	500,000	500,000	(334,033)
State of Tennessee	2,552,032	0	0	2,552,032	2,294,000	2,294,000	258,032
Federal Government	86,760	0	0	86,760	0	0	86,760
Other Governments and Citizens Groups	1,836	0	0	1,836	0	0	1,836
Total Revenues	$ 3,947,498	$ 0	$ 0	$ 3,947,498	$ 3,940,200	$ 3,940,200	$ 7,298
Expenditures							
Highways							
Administration	$ 232,583	$ 0	$ 0	$ 232,583	$ 287,867	$ 289,867	$ 57,284
Highway and Bridge Maintenance	1,175,762	0	0	1,175,762	1,834,880	1,941,880	766,118
Operation and Maintenance of Equipment	569,385	0	0	569,385	1,015,183	1,120,183	550,798
Other Charges	227,461	0	0	227,461	226,000	251,000	23,539
Capital Outlay	458,946	(398,842)	58,634	118,738	0	1,090,000	971,262
Total Expenditures	$ 2,664,137	$ (398,842)	$ 58,634	$ 2,323,929	$ 3,363,930	$ 4,692,930	$ 2,369,001
Excess (Deficiency) of Revenues Over Expenditures	$ 1,283,361	$ 398,842	$ (58,634)	$ 1,623,569	$ 576,270	$ (752,730)	$ 2,376,299
Other Financing Sources (Uses)							
Proceeds from Sale of Capital Assets	$ 1,342	$ 0	$ 0	$ 1,342	$ 0	$ 0	$ 1,342
Total Other Financing Sources	$ 1,342	$ 0	$ 0	$ 1,342	$ 0	$ 0	$ 1,342
Net Change in Fund Balance	$ 1,284,703	$ 398,842	$ (58,634)	$ 1,624,911	$ 576,270	$ (752,730)	$ 2,377,641
Fund Balance, July 1, 2015	2,223,952	(398,842)	0	1,825,110	1,634,690	1,634,690	190,420
Fund Balance, June 30, 2016	$ 3,508,655	$ 0	$ (58,634)	$ 3,450,021	$ 2,210,960	$ 881,960	$ 2,568,061

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

Exhibit D-1

Anderson County, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities
	Ambulance Service Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash	$ 0	$ 161,701
Equity in Pooled Cash and Investments	566,384	102,014
Investments	0	18,637
Accounts Receivable	1,916,080	144,984
Allowance for Uncollectibles	(1,158,309)	0
Prepaid Items	17,823	0
Total Current Assets	$ 1,341,978	$ 427,336
Noncurrent Assets:		
Net Pension Asset	$ 265,079	$ 0
Capital Assets:		
Assets Not Depreciated:		
Land	82,950	0
Construction in Progress	52,171	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	302,173	51,507
Other Capital Assets	392,267	0
Total Noncurrent Assets	$ 1,094,640	$ 51,507
Total Assets	$ 2,436,618	$ 478,843
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources:		
Pension Contributions After Measurement Date	$ 210,985	$ 0
Total Deferred Outflows of Resources	$ 210,985	$ 0
Total Assets and Deferred Outflows of Resources	$ 2,647,603	$ 478,843
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 108,613	$ 100,964
Accrued Payroll	44,834	663
Payroll Deductions Payable	52,464	790
Accrued Leave - Current	55,869	0
Due to Other Funds	935,884	0
Capital Outlay Notes Payable	31,000	0
Other Current Liabilities	0	340,348
Total Current Liabilities	$ 1,228,664	$ 442,765

(Continued)

Exhibit D-1

Anderson County, Tennessee
Statement of Net Position
Proprietary Funds (Cont.)

	Business-type Activities - Enterprise Fund		Governmental Activities	
	Ambulance Service Fund		Internal Service Funds	
LIABILITIES (Cont.)				
Noncurrent Liabilities (Cont.):				
Capital Outlay Notes Payable - Long-term	$	163,000	$	0
Accrued Leave - Long-term		2,940		0
Other Long-term Liabilities		27,189		0
Total Noncurrent Liabilities	$	193,129	$	0
Total Liabilities	$	1,421,793	$	442,765
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources:				
Pension Changes in Experience	$	226,814	$	0
Pension Changes in Investment Earnings		90,662		0
Total Deferred Inflows of Resources	$	317,476	$	0
NET POSITION				
Net Investment in Capital Assets	$	687,200	$	51,507
Restricted for Other Purposes		265,079		0
Unrestricted		(43,945)		(15,429)
Total Net Position	$	908,334	$	36,078

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

Exhibit D-2

Anderson County, Tennessee
Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities	Governmental Activities
	Major Enterprise Fund	
	Ambulance Service Fund	Internal Service Funds
Operating Revenues		
Charges for Services	$ 4,912,868	$ 3,635,511
Licenses and Permits	0	136,221
Total Operating Revenues	$ 4,912,868	$ 3,771,732
Operating Expenses		
Salaries	$ 3,066,109	$ 43,746
Fringe Benefits	709,266	18,884
Communications	40,672	564
Data Processing Services	2,576	0
Dues and Memberships	1,952	0
Laundry Service	31,892	0
Maintenance and Repair Services - Buildings	8,945	0
Maintenance and Repair Services - Equipment	15,133	0
Maintenance and Repair Services - Vehicles	71,088	0
Pest Control	1,260	0
Postal Charges	331	0
Rental Expense	16,500	0
Travel	3,246	0
Tuition	11,898	0
Disposal Fees	1,253	0
Other Contracted Services	453,096	12,998
Custodial Supplies	9,385	0
Drugs and Medical Supplies	198,128	0
Duplicating Supplies	300	0
Gasoline	117,433	33
Natural Gas	4,527	0
Office Supplies	1,953	0
Tires and Tubes	18,722	0
Uniforms	31,369	0
Utilities	25,576	0

(Continued)

Exhibit D-2

Anderson County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds (Cont.)

	Business-type Activities Major Enterprise Fund Ambulance Service Fund	Governmental Activities Internal Service Funds
Operating Expenses (Cont.)		
Vehicle Parts	$ 41,849	$ 0
Supplies and Materials	9,270	2,323
Building and Contents Insurance	5,000	0
Liability Insurance	22,612	0
Trustee's Commission	53,160	377
Vehicle and Equipment Insurance	23,667	0
Workers' Compensation Insurance	234,446	102
Depreciation	264,405	873
Staff Development	19,179	0
Data Processing Equipment	13,825	12,761
Furniture and Fixtures	2,118	0
Other Charges	0	1,277
Communication Equipment	2,209	0
Medical and Dental Services	0	3,293,925
Other Contracted Services	0	302,741
Handling Charges and Administrative Costs	0	58,607
Excess Risk Insurance	0	530,493
Other Equipment	3,295	0
Communication	0	930
Maintenance and Repair Services - Buildings	0	1,815
Data Processing Supplies	0	8,114
Supplies and Materials	0	3,681
Total Operating Expenses	$ 5,537,645	$ 4,294,244
Operating Income (Loss)	$ (624,777)	$ (522,512)
Nonoperating Revenues (Expenses)		
Investment Income	$ 0	$ 93
Interest on Debt	(4,981)	0
Total Nonoperating Revenues (Expenses)	$ (4,981)	$ 93

(Continued)

Exhibit D-2

Anderson County, Tennessee
Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Funds (Cont.)

	Business-type Activities Major Enterprise Fund Ambulance Service Fund	Governmental Activities Internal Service Funds
Income (Loss) Before Transfers	$ (629,758)	$ (522,419)
Transfers In (Out)	172,312	291,593
Change in Net Position	$ (457,446)	$ (230,826)
Net Position, July 1, 2015	1,365,780	266,904
Net Position, June, 30, 2016	$ 908,334	$ 36,078

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

Exhibit D-3

Anderson County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Major Enterprise Fund - Ambulance Service Fund	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities		
Receipts from Customers and Users	$ 5,328,569	$ 35,000
Receipts for Self-insurance Premiums	0	3,835,036
Receipts for Licenses and Permits	0	121,391
Payments to Vendors	(1,086,922)	(28,735)
Payments to Employees	(3,134,693)	(44,708)
Payments for Fringe Benefits	(921,682)	(20,726)
Payments to Fiscal Agents	0	(276,107)
Payments to Insurers	0	(547,152)
Stop-loss Recovery	0	75,069
Payments for Administrative Costs	0	(73,964)
Payments for Claims	0	(3,291,947)
Net Cash Provided By (Used In) Operating Activities	$ 185,272	$ (216,843)
Cash Flows from Capital and Related Financing Activities		
Principal Paid on Notes	$ (29,225)	$ 0
Interest Paid on Notes	(4,981)	0
Acquisition and Construction of Capital Assets	(58,071)	(52,380)
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (92,277)	$ (52,380)
Cash Flows from Noncapital Financing Activities		
Transfers from Other Funds	$ 45,000	$ 480,516
Transfers to Other Funds	(9,848)	0
Net Cash Provided By (Used In) Noncapital Financing Activities	$ 35,152	$ 480,516
Cash Flows from Investing Activities		
Interest on Investments	$ 0	$ 54
Net Cash Provided By (Used In) Investing Activities	$ 0	$ 54
Increase (Decrease) in Cash	$ 128,147	$ 211,347
Cash, July 1, 2015	438,237	52,368
Cash, June 30, 2016	$ 566,384	$ 263,715

(Continued)

Exhibit D-3

Anderson County, Tennessee
Statement of Cash Flows
Proprietary Funds (Cont.)

	Business-type Activities: Major Enterprise Fund: Ambulance Service Fund	Governmental Activities: Internal Service Funds
Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities		
Operating Income (Loss)	$ (624,777)	$ (522,512)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	264,405	873
Changes in Deferred Outflows for Pensions	(21,548)	0
Changes in Deferred Inflows for Pensions	(131,315)	0
Changes in Assets and Liabilities:		
(Increase) Decrease in Net Pension Asset/Liability	(41,617)	0
(Increase) Decrease in Accounts Receivables	590,214	(122,761)
Increase (Decrease) in Allowance for Uncollectibles	(189,188)	0
(Increase) Decrease in Due from Other Funds (non-transfers)	14,675	246,643
(Increase) Decrease in Prepaid Items	9,823	0
Increase (Decrease) in Accounts Payable	31,555	11,053
Increase (Decrease) in Accrued Payroll	(66,769)	0
Increase (Decrease) in Payroll Deductions	12,789	(962)
Increase (Decrease) in Due to Other Funds (non-transfers)	332,375	238
Increase (Decrease) in Accrued Leave	(1,815)	0
Increase (Decrease) in Other Current Liabilities	0	170,585
Increase (Decrease) in Other Long-term Liabilities	6,465	0
Net Cash Provided By (Used In) Operating Activities	$ 185,272	$ (216,843)
Reconciliation of Cash With the Statement of Net Position		
Cash Per Net Position	$ 0	$ 161,701
Equity in Pooled Cash and Investments Per Net Position	566,384	102,014
Cash, June 30, 2016	$ 566,384	$ 263,715
Schedule of Noncash Noncapital Financing Activities		
Transfer from other funds recognized by forgiveness of prior-year amount due to the General Fund	$ 127,312	$ 0

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

Exhibit E-1

Anderson County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2016

	Agency Funds
ASSETS	
Cash	$ 1,435,974
Equity in Pooled Cash and Investments	77,154
Accounts Receivable	5,038
Due from Other Governments	3,013,515
Taxes Receivable	12,104,624
Allowance for Uncollectible Taxes	(501,784)
Total Assets	$ 16,134,521
LIABILITIES	
Accounts Payable	$ 4,705
Due to Other Taxing Units	14,637,756
Due to Joint Ventures	31,283
Due to Litigants, Heirs, and Others	1,460,777
Total Liabilities	$ 16,134,521

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

ANDERSON COUNTY, TENNESSEE
Index of Notes to the Financial Statements

(Continued)

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Anderson 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 Anderson County:

A. Reporting Entity

Anderson County is a public municipal corporation governed by an elected 16-member board. As required by GAAP, these financial statements present Anderson 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 Anderson County School Department operates the public school system in the county, and the voters of Anderson County elect its board. The School Department is fiscally dependent on the county because its budget and property tax levy are subject to the County Commission's approval. The School Department has a financial benefit/burden relationship with the county since all debt issued for school purposes is a liability of the primary government. Also, 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 Anderson County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Anderson County, and the Anderson 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 approval of the County Commission.

The Anderson County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Anderson County Emergency

Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Anderson County Emergency
Communications District
101 South Main Street, Suite 440
Clinton, Tennessee 37716

Related Organizations – The Anderson County Water Authority is a related organization of Anderson County. The county mayor nominates and the Anderson County Commission confirms the board members, but the county's accountability for the organization does not extend beyond making the appointments.

The Anderson County Industrial Development Board is a related organization of Anderson County. The Anderson County Commission elects the board members, but the county's accountability 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Anderson 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.

Anderson County issues all debt for the discretely presented Anderson County School Department. Net debt issues totaling $1,200,000 were contributed by the county to the School Department during the year ended June 30, 2016.

Separate financial statements are provided for governmental funds, proprietary funds (internal service and enterprise), and fiduciary funds. Internal service funds are reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

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

Fund financial statements of Anderson County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Anderson County reports three proprietary funds: an enterprise fund and two internal service funds.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service funds and the fiduciary funds in total are reported in single columns by fund type.

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

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

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

Anderson 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 and property 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 non-education long-term general obligation debt of governmental funds.

Anderson County reports the following major enterprise fund:

Ambulance Service Fund – This fund is used to account for the county's ambulance service operations.

Additionally, Anderson County reports the following fund types:

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

Internal Service Funds – These funds, the Employee Health Insurance Fund and the Channel 95 Fund are used to account for the county's self-insured employee health program and the community television station, which serves the primary government, School Department, and cities in Anderson County. Premiums charged to the various county funds and employee payroll deductions are placed in the Employee Health Insurance Fund for the payment of claims of county employees. Channel 95 is funded by annually determined charges to the participating entities.

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 Anderson County, city school systems' shares of educational revenues, state grants and other restricted revenues held for the benefit of the Judicial District Drug Task Force, and restricted revenues held for the benefit of the Office of District Attorney General. 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 Anderson County School Department reports the following major governmental fund:

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

Additionally, the Anderson County School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for the receipt of debt issued by Anderson County and contributed to the School Department for building construction and renovations.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has three proprietary funds, an enterprise fund used to account for ambulance service operations, an internal service fund used to account for the employees' health insurance program, and an internal service fund used to account for the operations of Channel 95, the community television station. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the county's enterprise fund is charges for services from users. Operating expenses for the enterprise fund include salaries, purchase of supplies and materials, and depreciation of capital assets. The principal operating revenues of the county's internal service funds are self-insurance premiums and charges to the users of Channel 95's services. Operating expenses for the health internal service fund include medical claims, excess risk insurance, and administrative charges. For Channel 95, operating expenses include salaries, benefits, and equipment.

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

1. Deposits and Investments

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

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Anderson 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. Income from these investments is credited to various funds based on legal requirements of the budget adopted by the County Commission, with the majority of the investment income being assigned to the General, General Purpose School, and the various debt service funds. In addition, investments are held separately by the self-insurance fund. Anderson 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 amortized cost using a

Stable Net Asset Value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.3 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 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. The balance in the account Other Current Liabilities totaling $362,548 in the governmental activities Statement of Net Position for the primary government consists of performance bonds of $22,200 and self-insurance claims of $340,348.

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns 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 exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.
The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Building and Improvements	20 - 50
Other Capital Assets	5 - 20
Infrastructure	25 - 40

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period 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 a deferred charge on refunding, pension changes in experience, employer, contributions made to the pension plan after the measurement date, and pension other deferrals. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

6. Compensated Absences

The policies of the county and School Department permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the county and the School Department do not have policies to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the county and the discretely presented 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.

7. Long-term Obligations

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

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

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

8. Net Position and Fund Balance

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

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

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

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

As of June 30, 2016, Anderson County had $35,687,997 in outstanding debt for capital purposes for the discretely presented Anderson County School Department. This debt is a liability of Anderson County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Anderson County has incurred a liability, significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

For most funds, 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. One exception is the Highway/Public Works Fund for which unrestricted amounts are reduced first, followed by restricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.
In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county follows a policy requiring all assignments of fund balance to be approved by resolution by the County Commission for the primary government and by the Board of Education for the School Department.

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

The primary restrictions and commitments of fund balance for the governmental funds are identified below.

Fund/ Function/Purpose		Amount
PRIMARY GOVERNMENT		
General Fund:		
Restricted for Administration of Justice:		
Drug Court	$	65,264
Courthouse Security		421,387
Circuit, Sessions, and Chancery Data Processing		71,519
Public Defender		4,227
Archives		89,677
Sex Offender Registry		11,717
Restricted for Public Safety:		
Various Law Enforcement Purpose		50,573
Jail Commissary		230,640
Sheriff Data Processing		15,100
Public Safety Grant Programs		22,333
Restricted for Public Health and Welfare:		
Alchol and Drug Treatment		77,685
Health Department Improvements		132,942
Animal Holding Facilities		33,800
Committed for General Government:		
Courthouse Maintenance		83,464
Employee Health Insurance		93,721
Committed for Finance:		
Property Asessor		121,242
Other		35,684
Committed for Public Safety:		
Sheriff's Department		351,441
Fire Department		117,625
Committed for Highways:		
Bridge Construction		284,608
Committed for Capital Projects, Capital Outlay, and Other Purposes:		
Industrial Land Purchases		1,740,564
ADFAC Home Improvement		14,780
Highway/Public Works Fund:		
Restricted for Highway/Public Works:		
General Highway Purposes		3,484,360
General Debt Service Fund:		
Restricted for Debt Service:		
Principal and Interest on General County Debt		2,900,655
Committed for Debt Service:		
Principal and Interest on General County Debt		232,881

Fund/ Function/Purpose	Amount
PRIMARY GOVERNMENT (CONT.)	
Nonmajor Governmental Funds:	
Restricted for Public Safety:	
Drug Control	$ 373,392
Restricted for Public Health and Welfare:	
Solid Waste/Sanitation	221,345
Restricted For Social, Cultural, and Recreational Services:	
Public Libraries	302,095
Tourism	303,021
Restricted for Debt Service:	
Principal and Interest on Debt Related to Elementary Schools	79,822
Principal and Interest on Debt Related to Middle and and High Schools	1,462,185
Restricted for Capital Projects:	
General Future Capital Purchases for Various Departments	465,713
Solid Waste/Sanitation	80,000
Committed for Capital Projects:	
Solid Waste/Sanitation	496,900
DISCRETELY PRESENTED SCHOOL DEPARTMENT	
General Purpose School:	
Restricted for Capital Projects:	
General Capital Improvements	601,831
Nonmajor Governmental:	
Restricted for Education:	
Cafeteria Operations	1,183,076
Various Federal Grant Programs	51,148

Assigned fund balance in the General Fund consists primarily of amounts assigned for encumbrances ($127,432) and amounts appropriated for use in the 2016-17 year budget ($557,749).

9. Minimum Fund Balance Policy

To provide management with appropriate guidelines and direction to assist in making sound decisions related to managing the fund balance, the County Commission adopted a policy establishing a minimum unassigned fund balance level for the General Fund of $4,000,000.

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

Exhibit K-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 Anderson County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Net Position Deficit/Fund Deficit

The Employee Insurance - Health Fund (internal service fund) had a deficit in unrestricted net position of $148,893 at June 30, 2016. This deficit resulted from an increase in medical claims and estimates. The County Commission has raised medical premiums after June 30, 2016, to liquidate the deficit.

The Ambulance Service Fund (enterprise fund) had a deficit in unrestricted net position of $43,945 at June 30, 2016. This deficit resulted from several years of declining operating revenues. The County Commission will have to determine after June 30, 2016, how to liquidate the deficit.

C. Expenditures Exceeded Appropriations

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

Fund/Major Appropriation Category		Amount Overspent
General Fund:		
Other Operations - Miscellaneous	$	19,054
Library Fund:		
General Government - Principal on Other Loans		1,764
General Government - Interest on Other Loans		4,092
Solid Waste/Sanitation:		
Public Health and Welfare - Landfill Operation and Maintenance		11,819
General Capital Projects:		
Capital Projects - Public Health and Welfare		6,080

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by unspent appropriations in other major categories.

D. Data Breach

In August 2016, the county law director informed all county employees of a potential system-wide breach of the main courthouse computer server. The extent, type, and amount of data compromised has not yet been fully determined. An investigation into this matter is ongoing, and the results of that investigation are still pending as of the date of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Anderson County and the Anderson 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 and investments reflected on the balance sheets or statements of net position represent nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2016, Anderson County had the following investments carried at amortized cost. Pooled investments are held in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Anderson County and the discretely presented Anderson County School Department since both pool their deposits and investments through the county trustee. Nonpooled investments represent amounts held in the Employee Health Insurance Fund (an internal service fund).

POOLED INVESTMENTS

Investment	Weighted Average Maturity (days)	Maturities		Amortized Cost
State Treasurer's Investment Pool	4 to 117	N/A	$	588,599

NONPOOLED INVESTMENTS

Investment	Weighted Average Maturity (days)	Maturities		Amortized Cost
State Treasurer's Investment Pool	4 to 117	N/A	$	18,637

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Anderson County has no investment policy that would further limit its investment choices. As of June 30, 2016, Anderson County's investments in the State Treasurer's Investment Pool were unrated.

B. **Capital Assets**

Capital assets activity for the year ended June 30, 2016, was as follows:

Primary Government

Governmental Activities

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	$ 1,715,743	$ 0	$ 0	$ 1,715,743
Construction in Progress	414,893	461,704	(862,597)	14,000
Total Capital Assets Not Depreciated	$ 2,130,636	$ 461,704	$ (862,597)	$ 1,729,743
Capital Assets Depreciated:				
Buildings and Improvements	$ 32,161,357	$ 158,305	$ 0	$ 32,319,662
Infrastructure	45,718,531	984,615	(75,441)	46,627,705
Other Capital Assets	11,251,185	59,111	(98,760)	11,211,536
Total Capital Assets Depreciated	$ 89,131,073	$ 1,202,031	$ (174,201)	$ 90,158,903
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 9,145,550	$ 740,412	$ 0	$ 9,885,962
Infrastructure	40,543,659	331,086	(75,441)	40,799,304
Other Capital Assets	7,287,050	691,499	(88,849)	7,889,700
Total Accumulated Depreciation	$ 56,976,259	$ 1,762,997	$ (164,290)	$ 58,574,966
Total Capital Assets Depreciated, Net	$ 32,154,814	$ (560,966)	$ (9,911)	$ 31,583,937
Governmental Activities Capital Assets, Net	$ 34,285,450	$ (99,262)	$ (872,508)	$ 33,313,680

Business-type Activities:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	$ 82,950	$ 0	$ 0	$ 82,950
Construction in Progress	0	52,171	0	52,171
Total Capital Assets Not Depreciated	$ 82,950	$ 52,171	$ 0	$ 135,121
Capital Assets Depreciated:				
Buildings and Improvement	$ 569,924	$ 0	$ 0	$ 569,924
Other Capital Assets	2,313,119	5,900	(98,557)	2,220,462
Total Capital Assets Depreciated	$ 2,883,043	$ 5,900	$ (98,557)	$ 2,790,386
Less Accumulated Depreciation For:				
Buildings and Improvement	$ 247,475	$ 20,276	$ 0	$ 267,751
Other Capital Assets	1,682,623	244,129	(98,557)	1,828,195
Total Accumulated Depreciation	$ 1,930,098	$ 264,405	$ (98,557)	$ 2,095,946
Total Capital Assets Depreciated, Net	$ 952,945	$ (258,505)	$ 0	$ 694,440
Business-type Activities Capital Assets, Net	$ 1,035,895	$ (206,334)	$ 0	$ 829,561

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

Governmental Activities:

General Government	$ 390,353
Finance	5,985
Administration of Justice	31,800
Public Safety	814,476
Public Health and Welfare	89,424
Social, Cultural, and Recreational	33,733
Agriculture and Natural Resources	810
Highway/Public Works	396,416
Total Depreciation Expense - Governmental Activities	$ 1,762,997

Business-type Activities:

Ambulance Service	$ 264,405

Discretely Presented Anderson County School Department

Governmental Activities:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	$ 865,214	$ 0	$ 0	$ 865,214
Construction in Progress	5,655	54,325	(59,980)	0
Total Capital Assets Not Depreciated	$ 870,869	$ 54,325	$ (59,980)	$ 865,214
Capital Assets Depreciated:				
Buildings and Improvements	$ 85,189,883	$ 83,706	$ 0	$ 85,273,589
Other Capital Assets	6,754,121	423,480	(5,775)	7,171,826
Total Capital Assets Depreciated	$ 91,944,004	$ 507,186	$ (5,775)	$ 92,445,415
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 39,426,156	$ 2,249,637	$ 0	$ 41,675,793
Other Capital Assets	4,621,963	343,371	(5,775)	4,959,559
Total Accumulated Depreciation	$ 44,048,119	$ 2,593,008	$ (5,775)	$ 46,635,352
Total Capital Assets Depreciated, Net	$ 47,895,885	$ (2,085,822)	$ 0	$ 45,810,063
Governmental Activities Capital Assets, Net	$ 48,766,754	$ (2,031,497)	$ (59,980)	$ 46,675,277

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

Governmental Activities:

Instruction	$ 2,257,886
Support Services	189,435
Operation of Non-instructional Services	145,687
Total Depreciation Expense - Governmental Activities	$ 2,593,008

C. Construction Commitments

At June 30, 2016, the General Purpose School Fund had an uncompleted construction contract of $398,575 for roof repairs on two schools. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, was as follows:

Primary Government

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	General Debt Service	$ 13,051
"	Ambulance Service (enterprise)	926,753
"	Nonmajor governmental	5,227
Highway/Public Works	General	2,916
"	Ambulance Service (enterprise)	9,131
"	Nonmajor governmental	636
Nonmajor governmental	General	19,284
"	General Debt Service	3,304

Amounts due to the General Fund from the Ambulance Service (enterprise) Fund are the result of: (1) inadequate cash balances in the Ambulance Service Fund to reimburse the General Fund for expenses paid on behalf of the Ambulance Service, and (2) amounts loaned to the Ambulance Service Fund when it was established during the year ended June 30, 2010. During the year, County Commission forgave $127,312 of Ambulance Service payables due to the General Fund. Due to the uncertainty of when these amounts will be paid, the General Fund has classified $926,753 of its fund balance as nonspendable to offset the amount of the receivables due from the Ambulance Service Fund at June 30, 2016.

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. These remaining balances are expected to be liquidated within one year.

Discretely Presented Anderson County School Department

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Purpose School	Nonmajor governmental	$ 165,307
Nonmajor governmental	General Purpose School	1,586

Due to/from Primary Government and Component Unit

Receivable Fund	Payable Fund	Amount
	Component Unit:	
Primary Government:	School Department:	
General	Nonmajor governmental	$ 387
Highway/Public Works	General Purpose School	4,562
Highway/Public Works	Nonmajor governmental	2,111
Component Unit:		
School Department:	Primary Government:	
General Purpose School	General Debt Service	5,824

The amount reflected as due to primary government from the discretely presented School Department on the government-wide Statement of Net Position also includes $415,195 for debt issued by the primary government, which is being retired by the School Department. Of that amount, $336,162 is not expected to be received within one year.

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In: Ambulance Service Fund	Transfers In: Internal Service Fund	Transfers In: Nonmajor Governmental Fund
General Fund	$ 172,312	$ 291,593	$ 16,100
Nonmajor governmental funds	0	0	33,000
Total	$ 172,312	$ 291,593	$ 49,100

Discretely Presented Anderson County School Department

Transfers Out	Transfers In: General Purpose School Fund	Transfers In: Nonmajor Governmental Funds
General Purpose School Fund	$ 0	$ 10,922
Nonmajor Governmental Funds	178,382	65,183
Total	$ 178,382	$ 76,105

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 accordance with budgetary authorizations.

E. Income from Operating Lease Commitments

Anderson County leases space in the Robert Jolley Administration Building and the Daniel Arthur Rehabilitation Center to various tenants under operating lease agreements. The carrying value of the leased properties was $1,069,576 at June 30, 2016. The original cost was $3,079,265 and accumulated depreciation was $2,009,689. Total lease revenues for the year ended June 30, 2016, were $149,612. The future minimum lease payments under existing leases are as follows:

Year Ending June 30		Amount
2017	$	144,792
2018		48,600
2019		48,600
2020		48,600
2021		48,600
Total	$	339,192

F. **Capital Lease**

On July 23, 2014, Anderson County entered into a seven-year lease-purchase agreement for a phone system for several county buildings. The terms of the agreement require total lease payments of $501,365 plus interest of 6.25 percent. The lease payments are made from the General Debt Service Fund.

During the 2003-04 year, Anderson County entered into an agreement for the School Department for the lease of a building for its daycare and head start programs. Generally accepted accounting principles require the lease to be capitalized because, at the time of inception of the lease, the present value of minimum lease payments exceeded 90 percent of the fair value of the asset. The School Department made advance payments totaling $749,060 to decrease the entity's future lease obligations, and the revised lease agreement provides for all required payments to be made during a 16-year period ending in 2021. The School Department has an option to extend the lease for two five-year terms. The lease carries an implicit interest rate of 11.4 percent, and the title does not transfer at the end of the lease.

The assets acquired through the capital leases outstanding at June 30, 2016, consisted of the following:

	Primary Government - Governmental Activities	School Department - Governmental Activities
Building and Improvements	$ 501,365	$ 1,606,295
Less: Accumulated Depreciation	(100,272)	(1,003,936)
Total	$ 401,093	$ 602,359

Future minimum payments and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30		Governmental Activities
2017		232,156
2018		233,253
2019		234,350
2020		143,918
2021		30,448
Total Minimum Lease Payments	$	874,125
Less: Amount Representing Interest		(119,461)
Present Value of Minimum Payments	$	754,664

G. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 24 years for bonds, up to ten years for notes, and 38 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, notes, other loans, and capital leases will be retired from the debt service funds and the Public Library Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2016, for governmental activities are as follows:

Type	Interest Rate		Final Maturity		Original Amount of Issue		Balance 6-30-16
General Obligation Bonds	1 to 5.25	%	5-1-35	$	17,200,000	$	16,350,000
General Obligation Refunding Bonds	2.5 to 3		5-1-19		1,750,000		910,000
Rural School Bonds	2 to 4		5-1-31		10,000,000		9,540,000
Rural School Refunding Bonds	1 to 3.5		5-1-26		18,890,000		15,065,000
Capital Outlay Notes	0 to 1.9		8-1-22		2,042,433		1,682,802
Other Loans	See table below		7-25-51		14,510,215		11,350,279
Capital Lease	6.25 to 11.4		5-25-21		1,458,601		754,664

The following table further details loan agreements outstanding at June 30, 2016:

Description		Original Amount of Loan Agreement		Outstanding Principal 6-30-16	Interest Type	Interest Rates as of 6-30-16	Other Fees
Montgomery County Public Building Authority							
Industrial Development	$	1,700,000	$	609,000	Variable	.43 %	.63 %
Jail Renovation		3,000,000		1,636,000	Variable	.41	.59
City of Clarksville Public Building Authority							
Rural Debt Series 2014		4,505,215		4,200,000	Fixed	2.75	NA
Education Debt Series 2014		5,180,000		4,785,000	Fixed	2.75	NA
USDA Loan Program		125,000		120,279	Fixed	3.38	NA
Total	$	14,510,215	$	11,350,279			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2016, including interest payments and other loan fees, are presented in the following tables. The interest rates on the variable rate public building authority loan agreements are tax-exempt rates determined by the remarketing agent daily or weekly depending on the particular program. In addition, the county pays various other fees (trustee, debt remarketing, etc.) in connection with these variable rate loans. Interest payments and other fees included in the table for the variable rate issues are computed based on the rates in effect at June 30, 2016.

On October 19, 2015, Anderson County approved a bond modification agreement related to the City of Clarksville PBA debt issues. The rate of interest on this debt dropped from 2.95 percent to 2.75 percent.

Year Ending June 30	Notes Principal	Notes Interest	Notes Total
2017	$ 452,240	$ 18,088	$ 470,328
2018	496,240	12,887	509,127
2019	504,240	5,002	509,242
2020	84,240	0	84,240
2021	84,240	0	84,240
2022-2023	61,602	0	61,602
Total	$ 1,682,802	$ 35,977	$ 1,718,779

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Other Fees	Other Loans Total
2017	$ 686,823	$ 260,447	$ 13,489	$ 960,759
2018	707,887	247,841	11,852	967,580
2019	717,952	234,914	10,148	963,014
2020	731,019	221,942	8,383	961,344
2021	742,088	208,913	6,538	957,539
2022-2026	3,120,560	853,628	11,742	3,985,930
2027-2031	4,558,687	395,882	0	4,954,569
2032-2036	16,197	13,083	0	29,280
2037-2041	19,171	10,109	0	29,280
2042-2046	22,687	6,593	0	29,280
2047-2051	26,851	2,429	0	29,280
2052	357	1	0	358
Total	$ 11,350,279	$ 2,455,782	$ 62,152	$ 13,868,213

Year Ending June 30	Bonds Principal	Interest	Total
2017	$ 2,045,000	$ 1,466,156	$ 3,511,156
2018	2,085,000	1,415,356	3,500,356
2019	2,200,000	1,362,244	3,562,244
2020	2,260,000	1,294,749	3,554,749
2021	2,315,000	1,225,194	3,540,194
2022-2026	13,695,000	4,944,455	18,639,455
2027-2031	12,165,000	2,510,688	14,675,688
2032-2035	5,100,000	520,000	5,620,000
Total	$ 41,865,000	$ 14,738,842	$ 56,603,842

There is $4,874,788 available in the debt service funds to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases, totaled $267, based on the 2010 federal census for residents living inside the Oak Ridge School District, $708 for residents living inside the Clinton School District, and $1,138 for residents living outside of these school districts.

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

Description of Indebtedness	Outstanding 6-30-16
Capital Leases	
Contributions from the Other Education Special Revenue Fund to the Rural Debt Service Fund	
Headstart Facility	415,195
Total	$ 415,195

In addition to the above-noted contributions, based on budgetary appropriations, the School Department remitted $1,378,065 to the primary government's Rural Debt Service Fund to be applied to the retirement of other debt issued for the benefit of the School Department.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2015	$ 43,850,000	$ 638,009	$ 928,079
Additions	0	1,200,000	0
Reductions	(1,985,000)	(155,207)	(173,415)
Balance, June 30, 2016	$ 41,865,000	$ 1,682,802	$ 754,664
Balance Due Within One Year	$ 2,045,000	$ 452,240	$ 184,496

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2015	$ 12,013,043	$ 520,524	$ 171,240
Additions	0	700,707	42,549
Reductions	(662,764)	(673,346)	(21,136)
Balance, June 30, 2016	$ 11,350,279	$ 547,885	$ 192,653
Balance Due Within One Year	$ 686,823	$ 520,492	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	$ 56,393,283
Less: Balance Due Within One Year	(3,889,051)
Add: Unamortized Premium on Debt	654,317
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 53,158,549

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

Anderson County Ambulance Service Fund (enterprise fund)

Capital outlay notes are issued to provide funds for the acquisition of equipment. Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Debt obligations outstanding were issued for up to seven years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt.

Capital outlay notes outstanding as of June 30, 2016, are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-16
Capital Outlay Notes - Ambulance	2.25	%	6-1-22	223,225	194,000

The annual requirements to amortize all notes outstanding as of June 30, 2016, including interest payments, are presented in the following tables:

Year Ending June 30	Notes Principal	Interest	Total
2017	$ 31,000	$ 4,365	$ 35,365
2018	31,000	3,668	34,668
2019	32,000	2,970	34,970
2020	33,000	2,250	35,250
2021	33,000	1,508	34,508
2022	34,000	765	34,765
Total	$ 194,000	$ 15,526	$ 209,526

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

Business-type Activities:	Notes	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2015	$ 223,225	$ 60,624	$ 20,724
Additions	0	113,349	6,465
Reductions	(29,225)	(115,164)	0
Balance, June 30, 2016	$ 194,000	$ 58,809	$ 27,189
Balance Due Within One Year	$ 31,000	$ 55,869	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	$ 279,998
Less: Balance Due Within One Year	(86,869)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 193,129

Discretely Presented Anderson County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Anderson County School Department, for the year ended June 30, 2016, was as follows:

	Compensated Absences	Net Pension Liability (Asset) Teacher Legacy Plan	Other Postemployement Benefits
Balance, July 1, 2015	$ 312,556	$ (123,131)	$ 1,417,405
Additions	463,871	10,638,167	389,787
Reductions	(477,651)	(10,200,810)	(375,708)
Balance, June 30, 2016	$ 298,776	$ 314,226	$ 1,431,484

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	$ 2,044,486
Less: Balance Due Within One Year	(283,838)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 1,760,648

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

H. On-Behalf Payments – Discretely Presented Anderson County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Anderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2016, were $146,824 and $59,513, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Anderson County issued tax and revenue anticipation notes in advance of property tax and other revenue collections in the following funds. These notes were necessary because funds were not available to meet obligations coming due before revenues were available. Short-term debt activity for the year ended June 30, 2016, was as follows:

Fund	Balance 7-1-15	Issued	Paid	Balance 6-30-16
Discretely Presented School Department				
General Purpose School Fund (Borrowed from General Fund)	0	650,000	(650,000)	0
General Purpose School Fund (Borrowed from General Debt Service Fund)	0	1,000,000	(1,000,000)	0

V. OTHER INFORMATION

A. Risk Management

The county has chosen to establish the Employee Health Insurance Fund for risks associated with the employees' health insurance plan. The Employee Health Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county has obtained a stop/loss commercial policy to cover claims beyond certain liabilities. The stop/loss policy contains a maximum reimbursement limit of $1,000,000 per claim year. Annually, the county retains the risk of loss to the first $80,000 per covered person for most employees. For one specific individual, the county's risk of loss is $125,000 annually. An estimated liability for outstanding medical claims of $340,348 has been recorded in the financial statements of the Employee Health Insurance Fund.

All full-time employees of the primary government are eligible to participate. For retirees with 30-plus years of service who retired on or after July 1, 2012, the county pays $300 per month premium assistance until age 65 when the employee becomes eligible for Medicare. This premium assistance increased to $350 per month for those who retire on or after September 1, 2016. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates for the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. However, the fund had a deficit in unrestricted net position of $148,893 at June 30, 2016. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Health Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

Employee Insurance - Health Fund

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments-Net of Stop Loss Recovery	Balance Fiscal Year-end
2014-15	$ 226,210	$ 3,027,551	$ 3,086,273	$ 167,488
2015-16	167,488	3,293,925	3,121,065	340,348

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

Anderson County and the discretely presented Anderson County School Department are exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county and the School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county and the School Department joined the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county and the School Department pay annual premiums to the TN-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and Statement No. 79, *Certain External Investment Pools and Pool Participants* became effective for the year ended June 30, 2016.

GASB Statement No. 72, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous statements as they relate to measuring fair value of certain assets and liabilities.

GASB Statement No. 73, established accounting and reporting requirements for pensions that are not administered through a trust account and also addresses changes made to Statements No. 67 and No. 68. The changes to Statements No. 67 and No. 68 require new RSI disclosures concerning plan investments and address specific payables to defined benefit plans.

GASB Statement No. 76, addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

GASB Statement No. 79, addresses issues related to certain external investment pools and pool participants because of changes in Security and Exchange rules relative to money market funds. This standard establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes standards.

C. <u>Subsequent Events</u>

On August 31, 2016, Steve Queener left the Office of Clerk & Master and was succeeded by Harold Cousins.

On July 1, 2016, Larry Foster left the Office of Director of Schools and was succeeded by Tim Parrott.

Subsequent to June 30, 2016, Anderson County and the discretely presented Anderson County School Department approved the following interfund loans in the form of revenue anticipation notes:

From Fund	To Fund	Amount
Education Debt Service	General Purpose School	$ 500,000
"	Rural Debt Service	57,750
General Fund	Self Insurance Fund	200,000
General Purpose School	School Federal Projects	106,000

On September 19, 2016, Anderson County authorized the issuance of an interfund loan from the General Fund, in the form of capital outlay notes not to exceed $1,075,000, to the Highway/Public Works Fund for capital outlay purchases until Federal Grant reimbursements are received.

Also, on September 19, 2016, Anderson County authorized the issuance of an interfund loan from the General Fund, in the form of capital outlay notes not to exceed $270,000, to the Ambulance Service Fund for the purchase of ambulances until Federal Grant reimbursements are received.

During August 2016, the county law director notified all county employees of a potential system-wide breach of the courthouse computer server. This is further discussed in Note III. D.

D. Contingent Liabilities

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

E. Changes in Administration

During the year, Anderson County Commission adopted provisions of the Financial Management System Act of 1981. This act created a Financial Management Committee which is charged with the implementation of a central system of accounting, budgeting, and purchasing covering all funds of the county. On May 18, 2016, the Financial Management Committee hired Natalie Erb as finance director. On June 13, 2016, the Financial Management Committee hired Tony Foreman as purchasing agent.

Prior to the adoption of the Financial Management System Act of 1981, Anderson County operated under provisions of the Fiscal Control Acts of 1957 and the County Purchasing Law of 1957. These acts provided for a director of accounts and budgets and a purchasing agent, both appointed by the county mayor. Christopher Phillips served as director of accounts and budgets during the year until he left office on January 22, 2016. Connie Aytes served as interim director of accounts and budgets through the end of the fiscal year. Pam Cotham served as purchasing agent during the year until she left office on February 22, 2016. Hazel Gibson served as interim purchasing agent from March 7, 2016, until June 12, 2016. With the implementation of the Financial Management System Act of 1981, the positions of director of accounts and budgets and purchasing agent established by the 1957 Acts were abolished.

F. Joint Ventures

The Seventh Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventh Judicial District, Anderson County, and various cities within Anderson County. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general, the sheriff, and police chiefs of participating law enforcement agencies. Anderson County did not contribute to the operation of the DTF for the year ended June 30, 2016.

The Anderson County Economic Development Association (ACEDA) is a joint venture formed by an interlocal agreement between Anderson County and the cities and towns within Anderson County. The East Tennessee Economic Development association and the Clinton Utilities Board are also members of the association. Membership on the Board of Directors is allocated based on the entities' relative level of funding for the prior fiscal year budget pro-rated among a total of 25 members, with no participating organization having more than one-third of the 25 members. In addition, the county mayor and the mayor or city manager of each municipality in Anderson County are members of the Board of Directors. Each participating organization appoints its own members on the Board of Directors. Anderson County has control over budgeting and financing the joint venture only to the extent of its representation by its board members. Anderson County contributed $124,500 to the operations of ACEDA during the fiscal year ended June 30, 2016.

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

Seventh Judicial District Drug Task Force
101 S. Main Street, Suite 300
Clinton, TN 37716

Anderson County Economic Development Association
245 North Main Street, Suite 200
Clinton, TN 37716

G. **Jointly Governed Organization**

The Northeast Tennessee Railroad Authority is jointly operated by Anderson County in conjunction with Campbell and Scott counties. The authority's board consists of the county mayor of each county and one member selected by the governing body of each county; however, the counties do not have any ongoing financial interest or responsibility for the entity. Anderson County did not contribute to the operations of the Northeast Tennessee Railroad authority during the year ended June 30, 2016.

H. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Anderson County and non-certified employees of the discretely presented Anderson 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 comprised 66.33 percent and the non-certified employees of the discretely presented School Department comprised 33.67 percent of the plan based on contribution 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, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	382
Inactive Employees Entitled to But Not Yet Receiving Benefits	804
Active Employees	723
Total	1,909

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 their salary. Anderson County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarial Determined Contribution (ADC) for Anderson County was $1,611,660 based on a rate of 7.40 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Anderson County's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Anderson County's net pension liability (asset) was measured as of June 30, 2016, 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, 2016, 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, 2016, 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 Anderson 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, 2014	$ 63,631,793	$ 65,983,924	$ (2,352,131)
Changes for the year:			
Service Cost	$ 1.881,362	$ 0	$ 1.881.362
Interest	4,800,731	0	4,800,731
Differences Between Expected and Actual Experience	(1,866,757)	0	(1,866,757)
Contributions-Employer	0	1,611,660	(1,611,660)
Contributions-Employees	0	1,121,723	(1.121.723)
Net Investment Income	0	2.027,661	(2,027,661)
Benefit Payments, Including Refunds of Employee Contributions	(3.006,821)	(3,006,821)	0
Administrative Expense	0	(36,172)	36,172
Other Changes	0	0	0
Net Changes	$ 1.808,515	$ 1,718,051	$ 90.464
Balance, June 30, 2015	$ 65.440,308	$ 67,701,975	$ (2.261.667)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	66.33%	$ 43.406,556	$ 44.906.720	$ (1.500,164)
School Department	33.67%	22,033.752	22.795,255	(761.503)
Total		$ 65.440.308	$ 67.701,975	$ (2.261.667)

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

Anderson County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 6,159,561	$ (2,261,667)	$ (9,237,950)

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

Negative Pension Expense. For the year ended June 30, 2016, Anderson County recognized negative pension expense of $313,068.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, Anderson 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
Difference Between Expected and Actual Experience	$ 0	$ 1,935,192
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,327,618	3,101,155
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	1,718,395	N/A
Total	$ 4,046,013	$ 5,036,347

(1.) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2015," 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	$ 2,196,848	$ 2,750,324
Business-type Activities	483,794	590,285
School Department	1,365,371	1,695,738
Total	$ 4,046,013	$ 5,036,347

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

Year Ending June 30	Amount
2017	$ (972,426)
2018	(972,426)
2019	(972,426)
2020	208,554
2021	0
Thereafter	0

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

Discretely Presented Anderson County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Anderson County and non-certified employees of the discretely presented Anderson 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 66.33 percent and the non-certified employees of the discretely presented School

Department comprise 33.67 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Anderson 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 with an unreduced benefit 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. 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 60 or pursuant to the rule of 80. 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 percent and one percent. Members who leave 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 or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. 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, 2016, to the Teacher Retirement Plan were $69,370, which is four percent of covered 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 (Assets). At June 30, 2016, the Anderson County School Department reported an asset of $9,104 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Anderson County School Department's proportion of the net pension asset was based on the Anderson County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Anderson County School Department's proportion was .226313 percent.

Pension Expense. For the year ended June 30, 2016, the Anderson County School Department recognized pension expense of $11,932.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Anderson County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 2,963
Net Differrence Between Projected and Actual Earnings on Pension Plan Investments	736	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	69,370	N/A
Total	$ 70,106	$ 2,963

The Anderson County School Department's employer contributions of $69,370, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2017. 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
2017	$ (63)
2018	(63)
2019	(63)
2020	(63)
2021	(247)
Thereafter	(1,729)

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, 2016, 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, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Anderson 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 the Anderson 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	$ 1,614	$ (9,104)	$ (16,966)

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

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Anderson 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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs 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 are required to contribute five percent of their salaries. 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 Anderson County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were $2,514,607, which is 9.04 percent of covered 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 Liability (Assets). At June 30, 2016, the Anderson County School Department reported a liability of $314,226 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Anderson County School Department's proportion of the net pension liability (asset) was based on the Anderson County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Anderson County School Department's proportion was .767088 percent. The proportion measured at June 30, 2014, was .757747 percent.

Negative Pension Expense. For the year ended June 30, 2016, the Anderson County School Department recognized negative pension expense of $256,342.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Anderson 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
Difference Between Expected and Actual Experience	$ 252,179	$ 4,890,969
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,673,932	7,702,671
Changes in Proportion of Net Pension Liability (Asset)	99,889	55,170
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	2,514,607	N/A
Total	$ 8,540,607	$ 12,648,810

The Anderson County School Department's employer contributions of $2,514,607 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, 2017. 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
2017	$ (2,067,888)
2018	(2,067,888)
2019	(2,067,888)
2020	499,669
2021	(918,814)
Thereafter	0

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, 2016, 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 adjustments for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Anderson 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 the Anderson 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	$ 21,422,848	$ 314,226	$ (17,161,224)

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

2. **Deferred Compensation**

Teachers hired after July 1, 2014, by the discretely presented Anderson County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Anderson County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401 (k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Anderson County School Department contributed $86,712 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

I. Other Postemployment Benefits (OPEB)

Primary Government

Plan Description

Anderson County participates in a self-insured/commercial postemployment benefits plan administered by Humana for medical benefits for retirees and their beneficiaries. For accounting purposes, the plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the County Commission.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums. Retirees with 30-plus years of service with Anderson County are eligible to continue coverage, until they are Medicare eligible, as long as the retiree continues to pay the premiums. For employees who retired after July 1, 2012, Anderson County pays $300 per month premium assistance until attainment of age 65 when the employee becomes eligible for Medicare. This premium assistance increased to $350 per month for eligible retirees who retired on or after September 1, 2016.

Annual OPEB Cost and Net OPEB Obligation

	Governmental Activities	Business-type Activities	Total Primary Government
ARC	$ 45,410	$ 6,811	$ 52,221
Interest on the NOPEBO	6,850	829	7,679
Adjustment to the ARC	(9,711)	(1,175)	(10,886)
Annual OPEB cost	$ 42,549	$ 6,465	$ 49,014
Amount of contribution	(21,136)	0	(21,136)
Increase/decrease in NOPEBO	$ 21,413	$ 6,465	$ 27,878
Net OPEB obligation, 7-1-15	171,240	20,724	191,964
Net OPEB obligation, 6-30-16	$ 192,653	$ 27,189	$ 219,842

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Fiscal Year-end
6-30-14	Primary Government	$ 48,575	39.6 %	$ 165,994
6-30-15	"	49,970	48.0	191,964
6-30-16	"	49,014	43.1	219,842

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

		Governmental Activities	Business-type Activities	Total Primary Government
Actuarial valuation date		7-1-15	7-1-15	7-1-15
Actuarial accrued liability (AAL)	$	352,710 $	35,012 $	387,722
Actuarial value of plan assets	$	0 $	0 $	0
Unfunded actuarial accrued liability (UAAL)	$	352,710 $	35,012 $	387,722
Actuarial value of assets as a % of the AAL		0%	0%	0%
Covered payroll (active plan members)	$	14,154,961 $	2,958,378 $	17,113,339
UAAL as a % of covered payroll		2.5%	1.2%	2.3%

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, 2015, actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a four percent investment rate of return and an annual healthcare cost trend rate of five percent. The investment rate of return includes a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized on an open basis over a 30-year period using the level dollar method.

Discretely Presented Anderson County School Department

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The Anderson County School Department does not pay any premiums for retiree health insurance. However, since pre-65 retirees are allowed to remain on the plan, an implicit rate subsidy exists and is accounted for as other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
ARC	$ 390,000
Interest on the NOPEBO	53,153
Adjustment to the ARC	(53,366)
Annual OPEB cost	$ 389,787
Amount of contribution	(375,708)
Increase/decrease in NOPEBO	$ 14,079
Net OPEB obligation, 7-1-15	1,417,405
Net OPEB obligation, 6-30-16	$ 1,431,484

Fiscal Year Ended	Plan		Annual OPEB Cost	of Annual OPEB Cost Contributed			Obligation at Fiscal Year-end
6-30-14	Local Education Group	$	316,531	117.2	%	$	1,431,821
6-30-15	"		327,531	104.4			1,417,405
6-30-16	"		389,787	96			1,431,484

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

	Local Education Group Plan
Actuarial valuation date	7-1-15
Actuarial accrued liability (AAL)	$ 3,411,000
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 3,411,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 38,880,452
UAAL as a % of covered payroll	8.77%

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, 2015, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in fiscal year 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

J. Termination Benefits

The Anderson County School Department has three voluntary retirement incentive plans available to employees. The first plan is available to all employees in active pay status that give their retirement notice prior to March 1st. Under the terms of the plan, employees with 30 years or more of service, including 20 years with the School Department, or 25 years or more of service and age 65 or older, are eligible. The plan will pay $10,000, or $50 per day of accumulated sick leave, whichever is higher. If retirement notice is given after March 1st, the plan pays an incentive per day of accumulated sick leave. Expenditure of $269,324 were incurred for individuals who accepted the incentive and retired during the year ended June 30, 2016.

A second retirement incentive bonus payment plan was approved in accordance with contract provisions. This plan is available to all certified teachers who retire from the School Department with at least ten years of service in Anderson County and are between the ages of 55 and 60. Under the terms of the plan, employees with 30 or more years of service shall receive $100 for each school year of service with the School Department. Employees with 25 to 29 years of service shall receive $50 for each school year of service in the School Department. Expenditures of $97,300 were incurred for individuals who accepted the incentive and retired during the year ended June 30, 2016.

During this fiscal year, the discretely presented Anderson County School Department also approved a $2,500 retirement incentive bonus for classified employees. In order to qualify for the bonus, employees must have 25 years or more of service with the School Department, and be in active pay status. Expenditures of $10,000 were incurred for individuals who accepted the incentive and retired during the year ended June 30, 2016.

K. Office of Central Accounting and Budgeting

During the year, Anderson County operated under provisions of the Fiscal Control Acts of 1957, which provide for a central system of accounting and budgeting covering all funds of the county. These funds are maintained in the Office of Central Accounting and Budgeting under the supervision of a director of accounts and budgets appointed by the mayor.

In February 2016, Anderson County Commission adopted the County Financial Management System (FMS) Act of 1981. This act also provides for a central system of accounting and budgeting and suspends operation of the Fiscal Control Acts of 1957. The FMS creates a Financial Management Committee and the position of finance director who is appointed by the committee. The County Commission appointed members to Financial Management Committee during the year and this committee hired a finance director on May 18, 2016.

During the transition to the Financial Management System Act of 1981, the director of accounts and budgets continued to perform duties of that office under the provisions of the Fiscal Control Acts of 1957 until June 30, 2016.

L. Purchasing Laws

As discussed in Note K., Anderson County adopted the Financial Management System (FMS) Act of 1981. Previously, county purchases were governed by the County Purchasing Law of 1957 and purchases were conducted by a purchasing agent appointed by the county mayor. The FMS Act of 1981 also establishes a central system of purchasing for all county offices and suspends operation of the County Purchasing Law of 1957. The FMS Act of 1981 creates a Financial Management Committee, which appoints a purchasing agent who makes purchases for all offices of the county. The Financial Management Committee hired a purchasing agent June 13, 2016.

Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, *Tennessee Code Annotated*.

Under operations of the County Purchasing Law of 1957, competitive bids were required on all purchases exceeding $20,000.

VI. OTHER NOTES – DISCRETELY PRESENTED ANDERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Description of Organization

The Emergency Communications District of Anderson County, Tennessee, (the district) was created by a county-wide referendum on November 6, 1990. The Anderson County Board of Commissioners appointed the district's initial Board of Directors pursuant to *Tennessee Code Annotated*, Section 7-86-101. The district is responsible for the installation and maintenance of the emergency communications network of Anderson County, Tennessee, (Enhanced 911 Service).

The district is considered a component unit of Anderson County, Tennessee, because the Anderson County Board of Commissioners appoints a majority of the district's Board of Directors and must approve any debt issued by the district.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

The district's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statements of net position. The statement of revenues, expenses, and changes in net position present increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Operating revenue is revenue that is generated from the primary operations of the district. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the district. All other expenses are reported as nonoperating expenses.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2016, has been calculated as follows:

Capital Assets	$	1,243,380
Less: Accumulated Depreciation		(493,300)
Capital Assets Being Depreciated, Net	$	750,080

Restricted: This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the district pursuant to those stipulations or that expire by the passage of time. The district had no restricted net position as of June 30, 2016.

Unrestricted: This category includes net position that is not subject to externally imposed stipulations and does not meet the definition of restricted or net investment in capital assets. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

2. Accounts Receivable

Accounts receivable, which are deemed uncollectible based upon a periodic review of the accounts, are charged to revenue. At June 30, 2016, no allowance for uncollectible accounts was considered necessary.

3. Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the district as assets with an initial, individual cost of $500 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to 25 years.

4. Operating Budget

The district is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line-item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

5. Compensated Absences

The district's full-time employees are granted vacation leave in varying amounts. In the event of termination, the employee is paid for any unused vacation leave.

6. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the district's policy is to apply restricted net position first.

C. Cash

Cash represents money on deposit in various banks. The district considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the district to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the State of Tennessee Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee 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.

All of the district's cash and cash equivalent balances at June 30, 2016, were either insured through the Federal Deposit Insurance Corporation or through the State of Tennessee Bank Collateral Pool.

D. Lease

The district occupies its facilities provided by Anderson County on a month-by-month basis without charge.

E. Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

F. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance 7-1-15	Additions	Retirements	Balance 6-30-16
Capital Assets Depreciated:				
Communications Equipment	$ 944,682	$ 0	$ (6,904)	$ 937,778
Furniture and Fixtures	62,337	7,569	0	69,906
Vehicle	19,425	0	0	19,425
Leasehold Improvements	72,920	0	0	72,920
Other Capital Assets	143,350	0	0	143,350
	$ 1,242,714	$ 7,569	$ (6,904)	$ 1,243,379
Accumulated Depreciation	(379,815)	(119,991)	6,507	(493,299)
Capital Assets Depreciated, Net	$ 862,899	$ (112,422)	$ (397)	$ 750,080

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.