OFFICIAL STATEMENT

NEW ISSUE Rating: S&P – "A+"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating" herein)

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. 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.)*

# $8,300,000
# CROCKETT COUNTY, TENNESSEE
## General Obligation Refunding Bonds, Series 2018

Dated: June 22, 2018. Due: April 1, as shown below.

The $8,300,000 General Obligation Refunding Bonds, Series 2018 (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 October 1, 2018 and thereafter on each April 1 and October 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 will not be subject to optional redemption prior to maturity.

| Due (April 1) | Amount | Interest Rate | Yield | CUSIP** | Due (April 1) | Amount | Interest Rate | Yield | CUSIP** |
|---|---|---|---|---|---|---|---|---|---|
| 2019 | $ 1,100,000 | 5.00% | 1.80% | 226831 GJ8 | 2023 | $ 1,225,000 | 5.00% | 2.27% | 226831 GN9 |
| 2020 | 1,100,000 | 5.00 | 1.94 | 226831 GK5 | 2024 | 1,300,000 | 5.00 | 2.39 | 226831 GP4 |
| 2021 | 1,100,000 | 5.00 | 2.09 | 226831 GL3 | 2025 | 1,325,000 | 5.00 | 2.51 | 226831 GQ2 |
| 2022 | 1,150,000 | 5.00 | 2.15 | 226831 GM1 | | | | | |

This cover page contains certain information for quick reference only. It is not a summary of these issues. 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 Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by S. Jasper Taylor IV, 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 June 22, 2018.

**Cumberland Securities Company, Inc.**
Financial Advisor

May 23, 2018

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

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

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

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

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

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

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

CROCKETT COUNTY, TENNESSEE

**OFFICIALS**

| | |
|---|---|
| Gary Reasons | *County Mayor* |
| Ernest Bushart | *County Clerk* |
| Walter Yearwood | *Assessor of Property* |
| S. Jasper Taylor, IV | *County Attorney* |

**BOARD OF COUNTY COMMISSIONERS**

Harvey Bradshaw
Pat Branch
Nixon Brasfield
James Castellaw
Joseph Gibson IV
David Gilpin
Ronde' Howell
Ian Jones
Ashley Jordan
Jerel Little
Phillip Lowery
Carolyn Nance
Cayce Nanney
Lonnie Park
Donald Prescott
John Schwerdt
Elizabeth Smith
Edwin Tritt
Debra Turnage
Richard Walker
Jimmy Webb
Joseph Williams
Gary Williams

**UNDERWRITER**

Janney Montgomery Scott LLC
Philadelphia, Pennsylvania

**BOND REGISTRATION AND PAYING AGENT**

Regions Bank
Nashville, Tennessee

**BOND COUNSEL**

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

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

Securities Offered .......................... $8,300,000 General Obligation Refunding Bonds, Series 2018 (the "Bonds") of the County, dated the date of issuance June 22, 2018. The Bonds mature each April 1 beginning April 1, 2019 through April 1, 2025, 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 will not be subject to optional redemption prior to maturity

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. 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.)

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

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

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

Underwriter .................................... Janney Montgomery Scott LLC, Philadelphia, Pennsylvania.

Bond Counsel ................................ Glankler Brown, PLLC, Memphis, 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 Gary Reasons, County Mayor, 10 South Bells Street, Alamo, Tennessee 38001, (731) 696-5460; or the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

**GENERAL FUND BALANCES**
For the Fiscal Year Ended June 30

| | **2013** | **2014** | **2015** | **2016** | **2017** |
|---|---|---|---|---|---|
| Beginning Fund Balance | $ 646,771 | $ 990,782 | $ 1,123,775 | $ 1,186,343 | $ 935,349 |
| Revenues | 6,646,553 | 6,481,226 | 6,403,444 | 6,642,619 | 6,894,552 |
| Expenditures | 6,691,731 | 6,416,685 | 6,537,121 | 7,396,204 | 7,146,494 |
| Revenues Over Expenditures: | | | | | |
| Insurance Recovery | 22,919 | 19,145 | - | 23,173 | 29,338 |
| Transfers In | - | - | 248 | - | - |
| Transfers Out | - | - | - | - | - |
| **Ending Fund Balance** | **$ 990,782** | **$ 1,123,775** | **$ 1,186,343** | **$ 935,349** | **$ 809,033** |

*Source:* Comprehensive Annual Financial Reports of Crockett County, Tennessee.

# $8,300,000
# CROCKETT COUNTY, TENNESSEE
## General Obligation Refunding Bonds, Series 2018

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 Crockett County, Tennessee (the "County") of $8,300,000 General Obligation Refunding Bonds, Series 2018 (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 May 21, 2018 (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 issue the Bonds to refinance the County's outstanding: General Obligation Bonds, Series 2010, dated May 20, 2010, maturing April 1, 2019 through April 1, 2025 (the "Series 2010 Bonds" or the Outstanding Debt). The Outstanding Debt will be called for redemption on June 22, 2018 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 will be dated and bear interest from their date of issuance and delivery June 22, 2018. Interest on the Bonds will be payable semi-annually on April 1 and October 1, commencing October 1, 2018. 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 will not be subject to optional redemption prior to maturity.

## 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 Regions Bank as Paying Agent for the Outstanding Debt 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.

# 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.* Glankler Brown, PLLC, Memphis, 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"), and
- is not a preference item for a bondholder under the federal alternative minimum tax.

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

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

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

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

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

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

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## MISCELLANEOUS

**RATING**

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

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

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

**COMPETITIVE PUBLIC SALE**

The Bonds were offered for sale at competitive public bidding on May 23, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 14, 2018.

The successful bidder for the Bonds was an account led by Janney Montgomery Scott LLC, Philadelphia, Pennsylvania (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $9,098,688.86 (consisting of the par amount of the Bonds, plus a reoffering premium of $826,111.50 less an underwriter's discount of $27,422.64) or 109.623% of par.

**FINANCIAL ADVISOR; RELATED PARTIES; OTHER**

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

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

*Bond Counsel*. From time to time, Glankler Brown, PLLC has represented the Bank on legal matters unrelated to the County and may do so again in the future.

*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. However, 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, 2018 (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 notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

*Five-Year History of Filing.* While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by 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 and the audited financial statements shall be filed when available.

The Annual Report 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 MSRB. 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 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/ Gary Reasons
County Mayor

ATTEST:

/s/ Ernest Bushart
County Clerk

APPENDIX A

# LEGAL OPINION

(LETTERHEAD OF GLANKLER BROWN, PLLC)

June 22, 2018

Board of County Commissioners
of Crockett County, Tennessee
1 South Bells Street, Suite 3
Alamo, TN 38001

**Re: $8,300,000 General Obligation Refunding Bonds, Series 2018 of Crockett County, Tennessee**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Crockett County, Tennessee (the "County"), of $8,300,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2018 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem 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 the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material published and distributed in connection with the sale of the Bonds or any other information concerning the financial condition of the County which may have been provided to the purchasers of the Bonds, and we express no opinion relating thereto.

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

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Tennessee and constitute the valid and binding general obligations of the County for the payment of which the County has irrevocably pledged its full faith and credit. The Bonds are payable as to both principal and interest from ad valorem taxes to be levied, as necessary, upon all taxable property within the County without limitation as to rate or amount.

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in clause (a) above is subject to the condition that the County 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 the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. Except as set forth in this Paragraph 2 and in Paragraph 4 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The Bonds and the income therefrom are exempt from all present state, county and municipal taxation in the State of Tennessee, except (a) Tennessee excise taxes on all or a portion of the interest on any 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 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.

4. The Bonds will be treated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

To the extent constitutionally applicable, the rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted. Also, the enforcement of bondholder rights may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

**APPENDIX B**

# SUPPLEMENTAL INFORMATION STATEMENT

# GENERAL INFORMATION

## LOCATION

Crockett County (the "County") is located in the northwestern part of Tennessee and is approximately 65 miles north of Memphis and 20 miles northwest of Jackson. The County is boarded by Dyer and Gibson Counties to the north, Haywood and Madison Counties to the south, Lauderdale County to the west. The Town of Alamo is the county seat. Other incorporated cities in the County include Bells, Friendship, Gadsden and Maury City. The 2010 Census showed the County's population to be 14,586. The largest city, Alamo, had a 2010 Census population of 2,461.

Crockett County consists of about 268 square miles. The County has an equal blend of agriculture and industry, with local farms producing great quantities of cotton, corn, strawberries, soybeans and wheat.

## TRANSPORTATION

CSX Transportation provides the County with rail service. The County is 22 miles north from Interstate 40 in Madison County, and 10 miles south of Interstate 155 in Dyer County. U.S. Highways that service the County are 70-A, 79 and 412. State Highways located within the County are 54, 88 and 221. Nearby Dyer County is serviced by Amtrak. The nearest ports are located in Hickman, KY, about 56 miles to the north and Memphis, about 56 miles to the southwest. The community air service is provided by Dyersburg Municipal, about 15 miles north of the County. It has a 4,000-foot asphalt runway. The nearest commercial airports are the McKellar-Sipes Regional Airport located in Jackson 22 miles away and the Memphis International Airport located in Memphis.

## EDUCATION

There are five school systems in the County. The *Crockett County School System* operates five schools – three elementary, one middle, and one high school. The fall 2016 enrollment was 2,073 students with 136 teachers. The *Alamo City School System* operates one elementary school. The fall 2016 enrollment was 640 students with 44 teachers. The *Bells City School System* operates one elementary school, preK-5. The fall 2016 enrollment was 409 students with 30 teachers.

*Source:* Tennessee Department of Education.

<u>Higher education opportunities in nearby Dyer County:</u>

*Dyersburg State Community College* is an accredited public comprehensive community college that operates within the governance of the Tennessee Board of Regents. Founded in 1967, Dyersburg State is located on a 100-acre campus in Dyer County, Tennessee and serves the educational needs of a seven-county area of Northwest Tennessee: Lake, Obion, Dyer, Gibson, Lauderdale, Crockett and Tipton Counties. The fall of 2016 semester had an enrollment of 2,845 students. Dyersburg State also offers increased access to education via technology-assisted instruction, distance learning and course offerings at convenient locations in three other campuses in Obion, Gibson and Tipton Counties.

*Source:* Dyersburg State Community College and Tennessee Higher Education Commission.

*The Tennessee Technology Center at Newbern.* The Tennessee Technology Center at Newbern is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Newbern serves the northwest region of the state including Dyer, Lake and Obion Counties. The Technology Center at Newbern began operations in 1965, and the main campus is located in Dyer County. Fall 2015 enrollment was 555 students.

*Source:* Tennessee Technology Center at Newbern and Tennessee Higher Education Commission.

<u>Higher education opportunities in nearby Madison County:</u>

*Jackson State Community College* is located in Madison County and was founded in 1967. Jackson State offers associate degrees, certificates, and enrichment courses as preparation for further higher education and for career entry or advancement. The fall 2016 enrollment was 4,718 students. There are also three satellite campuses, Savannah, Lexington and Humboldt.

*Source:* Jackson State Community College.

*Lane College* is a private, co-educational, church-related institution which provides a liberal arts curriculum leading to baccalaureate degrees in the Arts and Sciences. Lane is located in Jackson, Tennessee, on approximately 40 acres. The College was founded in 1882 by individuals for the newly freed slaves. Enrollment varies annually between 800-1,000 students.

*Source:* Lane College.

*The Tennessee Technology Center at Jackson.* The Tennessee Technology Center at Jackson is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Jackson serves the southwest region of the state including Madison, Gibson, Henderson, Crocket and Chester Counties. The Technology Center at Jackson began operations in 1963, and the main campus is located in Madison County. Fall 2015 enrollment was 1,486 students. There are four satellite centers: the McWherter Instructional Service Center in Jackson, the Lexington Extension Campus, Humboldt High School and the Humboldt Instructional Service Center.

*Source:* Tennessee Technology Center at Jackson.

*Union University* is a private, four-year, coeducational liberal arts-based university affiliated with the Tennessee Baptist Convention. Founded in 1823, Union offers bachelors, masters and doctoral degrees on its 290-acre main campus in Jackson, Tennessee. The University has a satellite campus in Germantown, Tennessee. The enrollment averages over 4,000 students each fall.

*Source:* Union University.

*University of Tennessee at Martin Jackson Campus*. The University of Tennessee at Martin was founded in 1900 as Hall-Moody Institute. 6,682 students were enrolled for the fall semester 2016 at UT Martin. There are 4 satellite campuses in addition to the main campus in Weakley County: Jackson (Madison County), Parsons (Decatur County), Ripley (Lauderdale County) and Selmer (McNairy County). UT Martin is listed as a top-tier university among southern, master's level institutions in the *America's Best Colleges* compiled by *U.S. News & World Report.* More than $70 million in capital improvement and renovation projects were completed at UT Martin in 2010. The campus at Selmer offers a full two-year rotation plan of general education courses.

*Source:* University of Tennessee at Martin.

**MEDICAL**

The *Dyersburg Regional Medical Center* (the "DRMC") is a 225 bed, acute care hospital located in nearby Dyersburg. The medical center serves the citizens of Dyer, Lake, and Lauderdale Counties, comprising a population of about 75,000 people. DRMC offers 24-hour emergency care and includes a fast-track service for those patients seeking non-emergency care. DRMC offers a full range of services including intensive care, medical/surgical care, orthopedics, gastroenterology, OB/GYN, urology, E.N.T., endocrinology, and diagnostic imaging.

*Tennova Healthcare – Regional Jackson.* Tennova Healthcare – Regional Jackson, located in nearby Jackson, is a 152-bed facility including inpatient and outpatient, diagnostic, medical, surgical and emergency care. The facility employees about 175 healthcare professionals and is an accredited Joint Commission hospital with an accredited Chest Pain Center.

In 2018 West Tennessee Healthcare purchased both hospitals from Tennova Healthcare, along with one other Tennova hospital in Martin, for $67 million.

West Tennessee Healthcare is a not-for-profit organization. Totally self-supporting, without need for local tax support, all revenues generated provide for overhead costs including employee expense, debt service, purchase of technology, renovation, expansion, creation of new services, and, most importantly, maintaining the low-cost structure. West Tennessee Healthcare operates seven hospitals. Approximately 7,000 employees make up West Tennessee Healthcare, the majority of whom staff Jackson-Madison County General Hospital.

*Source:* Jackson-Madison Co. General Hospital.

**MANUFACTURING AND COMMERCE**

The West Tennessee Auto Park is located in Bells and has 1,600 acres available.

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**Major Employers located in Crockett County, Tennessee**

| Company | Product | Employees |
|---|---|---|
| Pictsweet Frozen Foods | Processed Frozen Vegetables | 600 |
| Asea Brown Boveri | Transformers and Components | 150 |
| Crockett County Nursing Home | Nursing Home | 131 |
| Crockett County School System* | Education | 148 |
| Mid South Industrial | Full Service Contractor | 75 |
| Med Line Inc. | Medical Supplies | 50 |
| Little King Manufacturing Co. | Children's Apparel | 48 |
| Alamo School System* | Education | 43 |
| Bonnie Plant Farms | Processed Vegetables | 40 |
| Southern Pride Distributing | BBQ Pits | 36 |
| Bells School System* | Education | 31 |
| Advantage Manufacturing Co. | Injection Molding | 30 |

* Includes teachers and administrators only.
*Source:* West Tennessee Industrial Association - 2017.

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## EMPLOYMENT INFORMATION

Unemployment in Crockett County as of March 2018 stood at 4.1%, representing 6,690 persons employed out of a labor force of 6,980. The chart below depicts unemployment trends in the County:

**Unemployment**

| | Annual Average **2012** | Annual Average **2013** | Annual Average **2014** | Annual Average **2015** | Annual Average **2016** |
|---|---|---|---|---|---|
| National | 8.1% | 7.4% | 6.2% | 5.3% | 4.9% |
| Tennessee | 8.0% | 8.2% | 6.7% | 5.8% | 4.8% |
| **Crockett County** | **10.2%** | **10.5%** | **7.9%** | **6.6%** | **5.3%** |
| Index vs. National | 126 | 142 | 127 | 125 | 108 |
| Index vs. State | 128 | 128 | 118 | 114 | 110 |

*Source:* Tennessee Department of Labor and Workforce Development.

## ECONOMIC DATA

**Per Capita Personal Income**

| | **2012** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|---|
| National | $44,282 | $44,493 | $46,494 | $48,451 | $49,246 |
| Tennessee | $38,778 | $38,814 | $40,128 | $42,128 | $43,326 |
| **Crockett County** | **$34,885** | **$36,865** | **$34,467** | **$34,931** | **$35,543** |
| Index vs. National | 79% | 83% | 74% | 72% | 72% |
| Index vs. State | 90% | 95% | 86% | 83% | 82% |

*Source:* Bureau of Economic Analysis.

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**Social and Economic Characteristics**

| | National | Tennessee | Crockett County |
|---|---|---|---|
| Median Value Owner Occupied Housing | $184,700 | $146,000 | $94,200 |
| % High School Graduates or Higher Persons 25 Years Old and Older | 87.0% | 86.0% | 76.5% |
| % Persons with Income Below Poverty Level | 12.7% | 15.8% | 17.6% |
| Median Household Income | $55,322 | $46,574 | $38,043 |

*Source*: U.S. Census Bureau State & County QuickFacts - 2016.

## RECREATION

The 87-acre Davy Crockett Lake is located in Crockett County and has picnic and restroom facilities. The Crockett Mills Community Center has a large banquet room, concession stand, softball park and horse riding rink. Crockett Mills is the home of the West Tennessee Cotton Festival. The festival features various events such as a horse show, pet show, carnival, car show, and arts and crafts show. The Hornsbluff Wildlife Refuge is also located in Crockett County for wildlife observers. The Refuge offers nature trails, boardwalks and an observation tower. Numerous lakes, wilderness parks and recreation areas including Reelfoot Lake, Pickwick State Park, Natchez Trace State Park and Paris Landing are a short drive away. Fishing and hunting are popular sports in this area.

## RECENT DEVELOPMENTS

*Interstate 69 Project.* The proposed north-south highway corridor between Canada and Mexico will go past Dyersburg and Memphis. There are already service-related businesses expressing interest in coming to Dyersburg once the interstate is completed. It is estimated that 63 percent of the truck traffic between Canada and Mexico will go through West Tennessee on I-69. Completion of the corridor in Tennessee could cost in excess of $800 million. The economic potential of this interstate's location in West Tennessee is very promising. One study has shown I-69 would produce about $1.57 for every dollar invested.

*Port of Cates Landing.* The Port of Cates Landing is a natural slackwater port four miles northeast of Tiptonville in Lake County (and 29 miles north of Dyersburg) that is a joint project of Lake, Obion and Dyer Counties and the U.S. Corps of Engineers. It is the only port that is not protected by a levee between Memphis and Illinois since it is above a 100-year flood plain of the Mississippi. R.J. Corman Railroad Group of Nicholasville, KY has been awarded the contract as port operator.

Construction of the 420-acre site began in 2011, and the $35 million port became operational in 2013. There is room for an industrial park at the site, and the port is expected to bring 1,700 jobs to the region and retain 2,293 related jobs. In late 2010 a federal grant of $13 million was awarded to the port to complete construction and infrastructure. In addition to the construction at the river an upgrade of the local roads and rail lines was also completed. In summer of 2011 Choctaw Transportation, a locally operated business, won the $9.6 million bid for the construction of the open cell dock construction at the port. Construction was completed in 2012. It is the most expensive and critical piece to the larger project of building the Port.

The Northwest Tennessee Port is an intermodal freight transfer facility and potential industrial park complex designed to exploit the unique geography and existing river, rail and highway transportation assets already in place. The River Port is comprised of a river terminal and includes a cross-dock, and trans-load facility that is designed to handle, Barge to Rail, Barge to Truck and Truck to Rail. The site of a proposed Industrial Park is comprised of the adjacent 350 acres of flat lands north of the City of Tiptonville. The optimum use envisioned for the Park is one which would exploit the River, and the proximity to I-55, I-24 as well as the planned I-69 corridor, and the main line Canadian National Railway. Being centrally located in Mid-America makes this location even more obvious as a venue for the project. The benefit of the Port to the City of Dyersburg lies in the fact that all southern highway access to the Port and all Railroad access to the Port runs through the City of Dyersburg. The City anticipates a significant economic boast resulting from the commencement of the Port operations.

*Source*: The State Gazette.

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# CROCKETT COUNTY, TENNESSEE

Summary of Bonded Indebtedness

| AMOUNT ISSUED | PURPOSE | DUE DATE | INTEREST RATE(S) | (1) As of June 30, 2017 OUTSTANDING |
|---|---|---|---|---|
| $ 50,000 | General Obligation Bonds, Series 1979 (Nursing Home) | Jan 2019 | Fixed | $ 5,532 |
| 11,235,000 | General Obligation Bonds, Series 2010 | April 2025 | Fixed | 10,025,000 |
| 705,670 | Capital Outlay Leases (All Funds) | Oct. 2020 | Fixed | 483,011 |
| 1,100,000 | Capital Outlay Notes, Series 2010 (Adult Ed) | April 2020 | Zero | 389,544 |
| 260,000 | Capital Outlay Notes, Series 2012 (Federally Taxable) | June 2024 | Fixed | 170,000 |
| 2,000,000 | Loan Agreement, Series 2012 (EESI) | Oct 2022 | Fixed | 1,116,634 |
| 105,000 | Capital Outlay Note, Series 2014 | Dec. 2024 | Fixed | 86,233 |
| 172,000 | Capital Outlay Note, Series 2015 | June 2025 | Fixed | 141,130 |
| 208,400 | Capital Outlay Note, Series 2016 | June 2026 | Fixed | 187,000 |
| $ 15,836,070 | **TOTAL BONDED DEBT** | | | $ 12,604,084 |
| $ 8,300,000 | General Obligation Refunding Bonds, Series 2018 | April 2025 | Fixed | $ 8,300,000 |
| (11,235,000) | Less: Bonds Being Refinanced or Retired | | | (8,945,000) |
| $ 12,901,070 | **NET BONDED DEBT** | | | $ 11,959,084 |

**NOTES:**

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

# CROCKETT COUNTY, TENNESSEE

Indebtedness and Debt Ratios

**INTRODUCTION**

The information set forth in the following is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS, 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** | **2014** | **2015** | **2016** | **2017** | **2018** |
| TAX SUPPORTED | | | | | |
| General Obligation Bonds & Notes | $15,803,006 | $14,720,138 | $13,749,916 | $12,604,084 | $11,959,084 |
| TOTAL TAX SUPPORTED | $15,803,006 | $14,720,138 | $13,749,916 | $12,604,084 | $11,959,084 |
| TOTAL DEBT | $15,803,006 | $14,720,138 | $13,749,916 | $12,604,084 | $11,959,084 |
| Less: Debt Service Funds | (1,478,064) | (1,666,358) | (1,712,432) | (1,755,766) | (1,755,766) |
| NET DIRECT DEBT | $14,324,942 | $13,053,780 | $12,037,484 | $10,848,318 | $10,203,318 |

| **PROPERTY TAX BASE** | | | | | |
|---|---|---|---|---|---|
| Estimated Actual Value | $ 825,242,037 | $ 835,273,895 | $ 814,459,575 | $ 882,210,328 | $ 889,312,070 |
| Appraised Value | $ 783,567,314 | $ 793,092,563 | $ 801,102,438 | $ 882,210,328 | $ 889,312,070 |
| Assessed Value | $ 216,078,345 | $ 219,619,501 | $ 221,593,801 | $ 243,626,786 | $ 245,576,913 |

| | For The Fiscal Year Ended June 30 | | | | After Issuance |
|---|---|---|---|---|---|
| **DEBT RATIOS** | **2014** | **2015** | **2016** | **2017** | **2018** |
| TOTAL DEBT to Estimated Actual Value | 1.91% | 1.76% | 1.69% | 1.43% | 1.34% |
| TOTAL DEBT to Appraised Value | 2.02% | 1.86% | 1.72% | 1.43% | 1.34% |
| TOTAL DEBT to Assessed Value | 7.31% | 6.70% | 6.21% | 5.17% | 4.87% |
| NET DIRECT DEBT to Estimated Actual Value | 1.74% | 1.56% | 1.48% | 1.23% | 1.15% |
| NET DIRECT DEBT to Appraised Value | 1.83% | 1.65% | 1.50% | 1.23% | 1.15% |
| NET DIRECT DEBT to Assessed Value | 6.63% | 5.94% | 5.43% | 4.45% | 4.15% |
| **PER CAPITA RATIOS** | | | | | |
| POPULATION (1) | 14,668 | 14,601 | 14,411 | 14,411 | 14,411 |
| PER CAPITA PERSONAL INCOME (2) | $35,144 | $35,968 | $35,968 | $35,968 | $35,968 |
| Estimated Actual Value to POPULATION | $56,261 | $57,207 | $56,517 | $61,218 | $61,711 |
| Assessed Value to POPULATION | $14,731 | $15,041 | $15,377 | $16,906 | $17,041 |
| Total Debt to POPULATION | $1,077 | $1,008 | $954 | $875 | $830 |
| Net Direct Debt to POPULATION | $977 | $894 | $835 | $753 | $708 |
| Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 3.07% | 2.80% | 2.65% | 2.43% | 2.31% |
| Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 2.78% | 2.49% | 2.32% | 2.09% | 1.97% |

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

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

**CROCKETT COUNTY, TENNESSEE**

BONDED DEBT SERVICE REQUIREMENTS

| F.Y. Ended 6/30 | Existing Debt (1) As of June 30, 2017 | | | Less: Bonds Being Refunded or Retired | | | General Obligation Refunding Bonds, Series 2018 | | | % 2018 Principal Repaid Bonds | Total Bonded Debt Service Requirements (1) | | | % Principal Repaid All Debt |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | TOTAL | Principal | Interest | TOTAL | Principal | Interest (2) | TOTAL | | Principal | Interest | TOTAL | |
| 2018 | $ 1,637,728 | $ 379,590 | $ 2,017,318 | $ - | $ - | $ - | $ - | $ - | $ - | 0.00% | $ 1,637,728 | $ 379,590 | $ 2,017,318 | 13.69% |
| 2019 | 1,824,335 | 325,637 | 2,149,972 | (1,130,000) | (301,675) | (1,431,675) | 1,100,000 | 321,625 | 1,421,625 | 13.25% | 1,794,335 | 345,587 | 2,139,922 | 28.70% |
| 2020 | 1,617,933 | 282,302 | 1,900,235 | (1,190,000) | (267,775) | (1,457,775) | 1,100,000 | 360,000 | 1,460,000 | 26.51% | 1,527,933 | 374,527 | 1,902,460 | 41.47% |
| 2021 | 1,514,808 | 241,270 | 1,756,078 | (1,230,000) | (230,588) | (1,460,588) | 1,100,000 | 305,000 | 1,405,000 | 39.76% | 1,384,808 | 315,682 | 1,700,490 | 53.05% |
| 2022 | 1,549,788 | 198,989 | 1,748,777 | (1,275,000) | (190,613) | (1,465,613) | 1,150,000 | 250,000 | 1,400,000 | 53.61% | 1,424,788 | 258,376 | 1,683,164 | 64.97% |
| 2023 | 1,512,185 | 152,321 | 1,664,506 | (1,320,000) | (145,988) | (1,465,988) | 1,225,000 | 192,500 | 1,417,500 | 68.37% | 1,417,185 | 198,833 | 1,616,018 | 76.82% |
| 2024 | 1,446,379 | 103,967 | 1,550,346 | (1,370,000) | (99,788) | (1,469,788) | 1,300,000 | 131,250 | 1,431,250 | 84.04% | 1,376,379 | 135,429 | 1,511,808 | 88.33% |
| 2025 | 1,480,928 | 54,121 | 1,535,049 | (1,430,000) | (51,838) | (1,481,838) | 1,325,000 | 66,250 | 1,391,250 | 100.00% | 1,375,928 | 68,533 | 1,444,461 | 99.83% |
| 2026 | 20,000 | 580 | 20,580 | - | - | - | - | - | - | | 20,000 | 580 | 20,580 | 100.00% |
| | $ 12,604,084 | $ 1,738,775 | $ 14,342,859 | $ (8,945,000) | $ (1,288,263) | $(10,233,263) | $ 8,300,000 | $ 1,626,625 | $ 9,926,625 | | $ 11,959,084 | $ 2,077,137 | $ 14,036,221 | |

**NOTES:**

(1) Includes all capital outlay notes and leases. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) Average Coupon 5.00%.

# FINANCIAL OPERATIONS

## BASIS OF ACCOUNTING AND PRESENTATION

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

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

## FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

| | For the Fiscal Year Ended June 30 | | | | |
|---|---|---|---|---|---|
| **Fund Type** | **2013** | **2014** | **2015** | **2016** | **2017** |
| *Governmental Funds:* | | | | | |
| General | $ 990,782 | $1,123,775 | $1,186,343 | $ 935,349 | $ 809,033 |
| Highway/Public Works | 1,475,148 | 1,606,223 | 1,765,698 | 1,957,525 | 1,958,546 |
| General Debt Service | 1,341,363 | 1,478,064 | 1,666,358 | 1,712,432 | 1,755,766 |
| Other Governmental | 142,110 | 156,462 | 204,044 | 204,842 | 210,317 |
| **Total** | **$3,949,403** | **$4,364,524** | **$4,822,443** | **$4,810,148** | **$4,733,662** |

*Source:* Comprehensive Annual Financial Report, Crockett County, Tennessee.

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

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Local Taxes | $ 3,951,289 | $ 3,710,701 | $ 3,781,052 | $ 3,886,911 | $ 4,306,523 |
| Licenses and Permits | 39,150 | 33,903 | 42,867 | 38,401 | 39,039 |
| Fines, forfeitures and penalties | 84,066 | 74,554 | 87,772 | 78,443 | 71,214 |
| Charges for current services | 724,354 | 636,719 | 653,669 | 803,215 | 662,214 |
| Other local revenue | 56,294 | 53,991 | 60,522 | 56,637 | 54,139 |
| Fees Received form County Officials | 576,220 | 616,713 | 615,103 | 598,730 | 603,722 |
| State of Tennessee | 1,139,416 | 1,307,176 | 1,090,049 | 1,055,248 | 956,811 |
| Federal Government | 64,190 | 40,459 | 39,669 | 70,322 | 47,177 |
| Other Governments & Citizens Groups | 11,574 | 7,010 | 32,741 | 54,712 | 153,713 |
| **Total Revenues** | $ 6,646,553 | $ 6,481,226 | $ 6,403,444 | $ 6,642,619 | $ 6,894,552 |
| **Expenditures and Other Uses:** | | | | | |
| General Government | $ 659,416 | $ 680,633 | $ 744,105 | $ 773,740 | $ 839,136 |
| Finance | 402,140 | 425,273 | 439,624 | 453,979 | 450,733 |
| Administration of Justice | 503,107 | 519,431 | 532,926 | 571,419 | 553,847 |
| Public Safety | 2,031,216 | 2,023,844 | 1,963,406 | 2,078,132 | 2,098,992 |
| Public Health & Welfare | 1,048,301 | 1,071,748 | 1,097,959 | 1,311,626 | 1,251,959 |
| Social, Cultrual & Recreational Services | 474,193 | 438,907 | 461,014 | 688,710 | 534,815 |
| Agricultural & Natural Resources | 177,382 | 165,743 | 174,775 | 172,473 | 183,781 |
| Other Operations | 1,295,117 | 1,026,083 | 1,059,768 | 1,256,768 | 1,121,994 |
| Highways | - | - | - | - | - |
| Debt Service | 100,859 | 65,023 | 63,544 | 89,357 | 111,237 |
| Capital Projects | - | - | - | - | - |
| **Total Expenditures** | $ 6,691,731 | $ 6,416,685 | $ 6,537,121 | $ 7,396,204 | $ 7,146,494 |
| Excess (deficiency) of Revenues | | | | | |
| Over Expenditures | $ (45,178) | $ 64,541 | $ (133,677) | $ (753,585) | $ (251,942) |
| **Other Sources and Uses:** | | | | | |
| Note Proceeds | $ 260,000 | $ - | $ 172,000 | $ 208,400 | $ - |
| Capitalized Lease Proceeds | 106,270 | 49,307 | 23,997 | 271,018 | 96,288 |
| Insurance Recovery | 22,919 | 19,145 | - | 23,173 | 29,338 |
| Operating Transfers - In | - | - | 248 | | - |
| Operating Transfers - Out | - | - | - | - | - |
| **Total Revenues & Other Sources** | $ 389,189 | $ 68,452 | $ 196,245 | $ 502,591 | $ 125,626 |
| Net Change in Fund Balance | $ 344,011 | $ 132,993 | $ 62,568 | $ (250,994) | $ (126,316) |
| Fund Balance July 1 | 646,771 | 990,782 | 1,123,775 | 1,186,343 | 935,349 |
| Residual Equity Transfers | - | - | - | - | - |
| **Fund Balance June 30** | **$ 990,782** | **$ 1,123,775** | **$ 1,186,343** | **$ 935,349** | **$ 809,033** |

*Source:* Comprehensive Annual Financial Report for Crockett County, Tennessee.

## INVESTMENT AND CASH MANAGEMENT PRACTICES

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

## REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
(d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

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

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

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

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

***County Taxation of Property***

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

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

***Assessment of Property***

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

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

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

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

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

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the

State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

### *Periodic Reappraisal and Equalization*

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

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

### *Valuation for Property Tax Purposes*

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

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

### *Certified Tax Rate*

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

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

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

***Tax Freeze for the Elderly Homeowners***

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

***Tax Collection and Tax Lien***

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

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

*Assessed Valuations.* According to the Tax Aggregate Report for Tennessee, property reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2017[1].

| Class | Assessed Valuation | Rate | Appraised Value |
|---|---|---|---|
| Public Utilities | $ 16,505,176 | 55% | $ 37,810,725 |
| Commercial and Industrial | 35,333,780 | 40% | 88,346,000 |
| Personal Tangible Property | 17,694,632 | 30% | 58,982,045 |
| Residential and Farm | 176,043,325 | 25% | 104,173,300 |
| **Total** | **$245,576,913** | | **$889,312,070** |

*Source:* 2017 Tax Aggregate Report for Tennessee and the County.
1 The tax year coincides with the calendar year, therefore tax year 2017 is actually fiscal year 2017-18.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2018 (tax year 2017) is $245,576,913 compared to $243,626,786 for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is $889,312,070 compared to $882,210,328 for tax year 2016.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the County for tax years 2013 through 2017 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2017.

| **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, 2017 Amount** | **Pct** |
| 2013 | $216,078,345 | $2.64 | $5,582,547 | $5,330,154 | 95.5% | $ 48,525 | 0.87% |
| 2014 | 219,627,283 | 2.64 | 5,797,848 | 5,445,538 | 93.9% | 66,074 | 1.14% |
| 2015 | 221,593,801 | 2.64 | 5,847,538 | 5,529,966 | 94.6% | 134,006 | 2.29% |
| 2016 | 243,626,786 | 2.64 | 6,512,132 | 6,166,092 | 94.7% | 350,809 | 5.39% |
| 2017 | 245,576,913 | 2.64 | 6,485,435 | **IN PROCESS** | | | |

1 The tax year coincides with the calendar year, therefore tax year 2017 is actually fiscal year 2017-18.

*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2017 (tax year 2016), the ten largest taxpayers in the County are as follows:

| Taxpayer | Business Type | Assessed Values | Taxes Levied |
|---|---|---|---|
| 1. The Pictsweet Company | Frozen Foods | $ 9,421,720 | $ 248,736 |
| 2. Gibson Electric Membership | Electric Utility | 9,364,898 | 247,234 |
| 3. ABB Inc | Industrial | 6,538,935 | 172,628 |
| 4. Bells Nursing Home | Elderly Care Service | 3,069,517 | 81,036 |
| 5. Jimmy Hargett | Farming Operation | 2,620,900 | 69,192 |
| 6. Donald Prescott | Farming Operation | 1,976,640 | 52,183 |
| 7. PP I Alamo LLc | Industrial | 1,762,825 | 46,539 |
| 8. CSX Transportation | Railroad Utility | 1,627,798 | 42,974 |
| 9. Malard Cove Estates LP | Real Estate | 988,608 | 26,100 |
| 10. A T & T Mobility, Inc | Telephone Utility | 837,927 | 22,122 |
| **TOTAL** | | **$38,209,768** | **$1,008,744** |

*Source*: The County.

**PENSION PLAN**

Employees of Crockett 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 Crockett County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**APPENDIX C**

# GENERAL PURPOSE FINANCIAL STATEMENTS

# OF

# CROCKETT COUNTY, TENNESSEE

# FOR THE FISCAL YEAR ENDED

# JUNE 30, 2017

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Crockett County for the fiscal year ended June 30, 2017 which is available upon request from the County

# ANNUAL FINANCIAL REPORT

# CROCKETT COUNTY, TENNESSEE

## FOR THE YEAR ENDED JUNE 30, 2017

TENNESSEE
COMPTROLLER
OF THE TREASURY

## DIVISION OF LOCAL GOVERNMENT AUDIT

# ANNUAL FINANCIAL REPORT

# CROCKETT COUNTY, TENNESSEE

# FOR THE YEAR ENDED JUNE 30, 2017


*COMPTROLLER OF THE TREASURY*
*JUSTIN P. WILSON*

*DIVISION OF LOCAL GOVERNMENT AUDIT*
*JAMES R. ARNETTE*
*Director*

*LEE ANN WEST, CPA, CGFM*
*Audit Manager*

*B. KEITH RICE, CGFM*
*Auditor 4*

*GREG HOWELL*
*MELISSA DARBY, CPA, CFE*
*ELISHA CROWELL, CISA, CFE*
*State Auditors*


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

# CROCKETT COUNTY, TENNESSEE
# TABLE OF CONTENTS

# *Summary of Audit Findings*

Annual Financial Report
Crockett County, Tennessee
For the Year Ended June 30, 2017

## *Scope*

We have audited the basic financial statements of Crockett County as of and for the year ended June 30, 2017.

## *Results*

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

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

## *Findings*

The following are summaries of the audit findings:

### OFFICE OF COUNTY MAYOR

- General Fund expenditures exceeded appropriations.
- The General Fund's general ledger cash account was not properly reconciled with county trustee reports.

### OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS

- Lease-purchase agreements were not issued in compliance with state statutes.

### OFFICE OF DIRECTOR OF SCHOOLS

- The General Purpose School Fund required material audit adjustments for proper financial statement presentation.

### OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- Unclaimed funds were not reported and paid to the state.

# INTRODUCTORY SECTION

Crockett County Officials
June 30, 2017

### Officials

Gary Reasons, County Mayor
Milton Legions, Road Supervisor
Robert Mullins, Director of Schools
Gary Spraggins, Trustee
Walter Yearwood, Assessor of Property
Ernest Bushart, County Clerk
Kim Kail, Circuit, General Sessions, and Juvenile Courts Clerk
James Stephenson, Clerk and Master
Alan Castellaw, Register of Deeds
Troy Klyce, Sheriff

### Board of County Commissioners

Gary Reasons, County Mayor, Chairman
Harvey Bradshaw
Pat Branch
Nixon Brasfield
James Rayce Castellaw
Gary Emison
Joseph Gibson, IV
David Gilpin
Ronde Howell
Ian Seth Jones
Ashley Jordan
Jerrel Little
Darrell Lowery
Carolyn Nance
Cayce Nanney
Harold Park
Donald Prescott
John Schwerdt
Jane Smith
Edwin Tritt
Debra Turnage
Richard Walker
Jimmy Webb
Gary Williams
Joe Williams

### Road Commission

Thomas Haynes, Chairman
William Beaird
Andy Edwards

### Board of Education

Jasper Taylor, IV, Chairman
John Cole
Keith Curl
Tony Emison
Henry King
Will Spence
Kyle Utley

### Audit Committee

Donnie Bates, Chairman
Clint Williams
Gary Williams

# 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

Crockett County Mayor and
Board of County Commissioners
Crockett County, Tennessee

To the County Mayor and Board of County Commissioners:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crockett County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crockett County, Tennessee, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension assets, and schedule of funding progress - other postemployment benefits plans on pages 81-88 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 Crockett 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 Crockett County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 Crockett County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Crockett County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, on our consideration of Crockett 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 solely 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 the effectiveness of Crockett County's 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 Crockett County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 19, 2017

JPW/kp

# Basic Financial Statements

Exhibit A

Crockett County, Tennessee
Statement of Net Position
June 30, 2017

| | Primary Government Governmental Activities | Component Unit Crockett County School Department |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 1,601 | $ 540 |
| Equity in Pooled Cash and Investments | 4,425,761 | 1,131,286 |
| Accounts Receivable | 1,658,180 | 292 |
| Allowance for Uncollectibles | (872,850) | 0 |
| Due from Other Governments | 454,338 | 702,424 |
| Property Taxes Receivable | 4,405,765 | 1,329,925 |
| Allowance for Uncollectible Property Taxes | (172,856) | (52,179) |
| Cash Shortage | 0 | 5,923 |
| Net Pension Asset - Teacher Retirement Plan | 0 | 15,062 |
| Capital Assets: | | |
| Assets Not Depreciated: | | |
| Land | 889,130 | 935,805 |
| Construction in Progress | 255,334 | 77,660 |
| Assets Net of Accumulated Depreciation: | | |
| Buildings and Improvements | 2,817,182 | 11,172,092 |
| Infrastructure | 2,085,800 | 145,987 |
| Other Capital Assets | 1,312,343 | 672,071 |
| Total Assets | $ 17,259,728 | $ 16,136,888 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Amount on Refunding | $ 67,954 | $ 0 |
| Pension Changes in Experience | 124,964 | 112,307 |
| Pension Changes in Investment Earnings | 344,390 | 1,524,584 |
| Pension Other Deferrals | 0 | 149,880 |
| Pension Contributions After Measurement Date | 242,599 | 831,672 |
| Total Deferred Outflows of Resources | $ 779,907 | $ 2,618,443 |
| **LIABILITIES** | | |
| Accounts Payable | $ 0 | $ 2,761 |
| Payroll Deductions Payable | 1,764 | 77,910 |
| Accrued Interest Payable | 96,000 | 0 |
| Noncurrent Liabilities: | | |
| Due Within One Year | 1,641,430 | 0 |
| Due in More Than One Year | 11,614,331 | 1,815,213 |
| Total Liabilities | $ 13,353,525 | $ 1,895,884 |

(Continued)

Exhibit A

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

| | Primary Government Governmental Activities | Component Unit Crockett County School Department |
|---|---|---|
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Current Property Taxes | $ 4,025,471 | $ 1,215,129 |
| Pension Changes in Experience | 153,977 | 1,547,417 |
| Total Deferred Inflows of Resources | $ 4,179,448 | $ 2,762,546 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | $ 5,501,256 | $ 13,003,615 |
| Restricted for: | | |
| General Government | 31,150 | 0 |
| Administration of Justice | 28,859 | 0 |
| Public Safety | 33,575 | 0 |
| Highways/Public Works | 1,730,890 | 0 |
| Debt Service | 51,415 | 0 |
| Education | 0 | 106,732 |
| Support Services | 0 | 19,401 |
| Operation of Non-instructional Services | 0 | 181,711 |
| Pensions | 0 | 15,062 |
| Unrestricted | (6,870,483) | 770,380 |
| Total Net Position | $ 506,662 | $ 14,096,901 |

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

Crockett County, Tennessee
Statement of Activities
For the Year Ended June 30, 2017

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|---|---|---|---|---|---|
| | | | | | Primary Government | Component Unit |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities | Crockett County School Department |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | $ 1,027,743 | $ 98,038 | $ 110,694 | $ 0 | $ (819,011) | $ 0 |
| Finance | 522,728 | 365,945 | 0 | 0 | (156,783) | 0 |
| Administration of Justice | 683,361 | 267,387 | 83,690 | 0 | (332,284) | 0 |
| Public Safety | 2,567,935 | 288,463 | 52,087 | 0 | (2,227,385) | 0 |
| Public Health and Welfare | 1,754,377 | 782,834 | 121,224 | 0 | (850,319) | 0 |
| Social, Cultural, and Recreational Services | 494,770 | 5,139 | 201,838 | 0 | (287,793) | 0 |
| Agriculture and Natural Resources | 212,296 | 0 | 0 | 0 | (212,296) | 0 |
| Highway/Public Works | 2,309,063 | 6,050 | 1,495,048 | 819,322 | 11,357 | 0 |
| Education | 62,910 | 0 | 0 | 0 | (62,910) | |
| Interest on Long-term Debt | 409,477 | 0 | 409,727 | 0 | 250 | 0 |
| Total Primary Government | $ 10,044,660 | $ 1,813,856 | $ 2,474,308 | $ 819,322 | $ (4,937,174) | $ 0 |
| Component Unit: | | | | | | |
| Crockett County School Department | $ 16,462,191 | $ 275,510 | $ 3,172,890 | $ 0 | $ 0 | $ (13,013,791) |
| Total Component Unit | $ 16,462,191 | $ 275,510 | $ 3,172,890 | $ 0 | $ 0 | $ (13,013,791) |

(Continued)

Crockett County, Tennessee
Statement of Activities (Cont.)

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government Total Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Component Unit Crockett County School Department |
|---|---|---|---|---|---|---|
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes Levied for General Purposes | | | | | $ 4,158,649 | $ 1,406,967 |
| Property Taxes Levied for Debt Service | | | | | 434,501 | 0 |
| Local Option Sales Tax | | | | | 815,216 | 444,184 |
| Wheel Tax | | | | | 723,278 | 137,951 |
| Business Tax | | | | | 96,347 | 0 |
| Wholesale Beer Tax | | | | | 90,601 | 0 |
| Other Local Taxes | | | | | 81,527 | 1,303 |
| Grants and Contributions Not Restricted to Specific Programs | | | | | 433,433 | 11,777,780 |
| Unrestricted Investment Income | | | | | 17,695 | 8,070 |
| Miscellaneous | | | | | 16,721 | 53,263 |
| Total General Revenues | | | | | $ 6,867,968 | $ 13,829,518 |
| Change in Net Position | | | | | $ 1,930,794 | $ 815,727 |
| Net Position, July 1, 2016 | | | | | (1,424,132) | 13,281,174 |
| Net Position, June 30, 2017 | | | | | $ 506,662 | $ 14,096,901 |

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

Exhibit C-1

Crockett County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2017

| | Major Funds | | | Nonmajor Funds | |
|---|---|---|---|---|---|
| | General | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| **ASSETS** | | | | | |
| Cash | $ 0 | $ 0 | $ 0 | $ 1,601 | $ 1,601 |
| Equity in Pooled Cash and Investments | 699,022 | 1,828,926 | 1,701,835 | 195,978 | 4,425,761 |
| Accounts Receivable | 1,656,612 | 0 | 0 | 1,568 | 1,658,180 |
| Allowance for Uncollectibles | (872,850) | 0 | 0 | 0 | (872,850) |
| Due from Other Governments | 65,834 | 255,497 | 105,201 | 27,806 | 454,338 |
| Due from Other Funds | 1,601 | 0 | 0 | 0 | 1,601 |
| Property Taxes Receivable | 3,981,681 | 0 | 424,084 | 0 | 4,405,765 |
| Allowance for Uncollectible Property Taxes | (156,217) | 0 | (16,639) | 0 | (172,856) |
| Total Assets | $ 5,375,683 | $ 2,084,423 | $ 2,214,481 | $ 226,953 | $ 9,901,540 |
| **LIABILITIES** | | | | | |
| Payroll Deductions Payable | $ 1,764 | $ 0 | $ 0 | $ 0 | $ 1,764 |
| Due to Other Funds | 0 | 0 | 0 | 1,601 | 1,601 |
| Total Liabilities | $ 1,764 | $ 0 | $ 0 | $ 1,601 | $ 3,365 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred Current Property Taxes | $ 3,637,993 | $ 0 | $ 387,478 | $ 0 | $ 4,025,471 |
| Deferred Delinquent Property Taxes | 180,457 | 0 | 19,237 | 0 | 199,694 |
| Other Deferred/Unavailable Revenue | 746,436 | 125,877 | 52,000 | 15,035 | 939,348 |
| Total Deferred Inflows of Resources | $ 4,564,886 | $ 125,877 | $ 458,715 | $ 15,035 | $ 5,164,513 |

(Continued)

Exhibit C-1

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

| | Major Funds | | | Nonmajor Funds | |
|---|---|---|---|---|---|
| FUND BALANCES | General | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| Restricted: | | | | | |
| Restricted for General Government | $ 31,150 | $ 0 | $ 0 | $ 0 | $ 31,150 |
| Restricted for Administration of Justice | 28,859 | 0 | 0 | 0 | 28,859 |
| Restricted for Public Safety | 0 | 0 | 0 | 33,575 | 33,575 |
| Restricted for Highways/Public Works | 0 | 1,682,562 | 0 | 0 | 1,682,562 |
| Committed: | | | | | |
| Committed for Public Health and Welfare | 0 | 0 | 0 | 176,742 | 176,742 |
| Committed for Highways/Public Works | 0 | 275,984 | 0 | 0 | 275,984 |
| Committed for Debt Service | 0 | 0 | 1,755,766 | 0 | 1,755,766 |
| Unassigned | 749,024 | 0 | 0 | 0 | 749,024 |
| Total Fund Balances | $ 809,033 | $ 1,958,546 | $ 1,755,766 | $ 210,317 | $ 4,733,662 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 5,375,683 | $ 2,084,423 | $ 2,214,481 | $ 226,953 | $ 9,901,540 |

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

Exhibit C-2

Crockett County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

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) | | $ 4,733,662 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Add: land | $ 889,130 | |
| Add: construction in progress | 255,334 | |
| Add: buildings and improvements net of accumulated depreciation | 2,817,182 | |
| Add: infrastructure net of accumulated depreciation | 2,085,800 | |
| Add: other capital assets net of accumulated depreciation | 1,312,343 | 7,359,789 |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Less: notes payable | $ (973,907) | |
| Less: other loan payable | (1,116,634) | |
| Less: capital leases payable | (483,011) | |
| Less: bonds payable | (10,030,532) | |
| Less: net pension liability - agent plan | (400,167) | |
| Less: compensated absences payable | (74,022) | |
| Less: other postemployment benefits liability | (145,000) | |
| Add: deferred amount on refunding | 67,954 | |
| Less: accrued interest on notes, capital leases, and bonds | (96,000) | |
| Less: other deferred revenue - premium on debt | (32,488) | (13,283,807) |
| (3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years. | | |
| Add: deferred outflows of resources related to pensions | $ 711,953 | |
| Less: deferred inflows of resources related to pensions | (153,977) | 557,976 |
| (4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | 1,139,042 |
| Net position of governmental activities (Exhibit A) | | $ 506,662 |

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

Crockett County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

| | Major Funds | | | Nonmajor Funds | |
|---|---|---|---|---|---|
| | General | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| **Revenues** | | | | | |
| Local Taxes | $ 4,306,523 | $ 402,520 | $ 1,409,067 | $ 265,322 | $ 6,383,432 |
| Licenses and Permits | 39,039 | 0 | 0 | 0 | 39,039 |
| Fines, Forfeitures, and Penalties | 71,214 | 0 | 0 | 8,535 | 79,749 |
| Charges for Current Services | 662,214 | 0 | 0 | 14,826 | 677,040 |
| Other Local Revenues | 54,139 | 3,450 | 86,619 | 543 | 144,751 |
| Fees Received From County Officials | 603,722 | 0 | 0 | 0 | 603,722 |
| State of Tennessee | 956,811 | 2,327,644 | 0 | 36,346 | 3,320,801 |
| Federal Government | 47,177 | 0 | 0 | 0 | 47,177 |
| Other Governments and Citizens Groups | 153,713 | 2,600 | 384,161 | 0 | 540,474 |
| Total Revenues | $ 6,894,552 | $ 2,736,214 | $ 1,879,847 | $ 325,572 | $ 11,836,185 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General Government | $ 839,136 | $ 0 | $ 0 | $ 0 | $ 839,136 |
| Finance | 450,733 | 0 | 0 | 0 | 450,733 |
| Administration of Justice | 553,847 | 0 | 0 | 0 | 553,847 |
| Public Safety | 2,098,992 | 0 | 0 | 9,412 | 2,108,404 |
| Public Health and Welfare | 1,251,959 | 0 | 0 | 310,685 | 1,562,644 |
| Social, Cultural, and Recreational Services | 534,815 | 0 | 0 | 0 | 534,815 |
| Agriculture and Natural Resources | 183,781 | 0 | 0 | 0 | 183,781 |
| Other Operations | 1,121,994 | 0 | 0 | 0 | 1,121,994 |
| Highways | 0 | 2,696,603 | 0 | 0 | 2,696,603 |
| Debt Service: | | | | | |
| Principal on Debt | 100,531 | 32,873 | 1,430,929 | 0 | 1,564,333 |
| Interest on Debt | 10,706 | 5,717 | 385,653 | 0 | 402,076 |
| Other Debt Service | 0 | 0 | 19,931 | 0 | 19,931 |

(Continued)

Exhibit C-3

Crockett 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 - Donated | $ 0 | $ 0 | $ 0 | $ 62,910 | $ 62,910 |
| Total Expenditures | $ 7,146,494 | $ 2,735,193 | $ 1,836,513 | $ 383,007 | $ 12,101,207 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (251,942) | $ 1,021 | $ 43,334 | $ (57,435) | $ (265,022) |
| **Other Financing Sources (Uses)** | | | | | |
| Capital Leases Issued | $ 96,288 | $ 0 | $ 0 | $ 62,910 | $ 159,198 |
| Insurance Recovery | 29,338 | 0 | 0 | 0 | 29,338 |
| Total Other Financing Sources (Uses) | $ 125,626 | $ 0 | $ 0 | $ 62,910 | $ 188,536 |
| Net Change in Fund Balances | $ (126,316) | $ 1,021 | $ 43,334 | $ 5,475 | $ (76,486) |
| Fund Balance, July 1, 2016 | 935,349 | 1,957,525 | 1,712,432 | 204,842 | 4,810,148 |
| Fund Balance, June 30, 2017 | $ 809,033 | $ 1,958,546 | $ 1,755,766 | $ 210,317 | $ 4,733,662 |

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

Exhibit C-4

Crockett 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, 2017

| | | |
|---|---|---|
| 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) | | $ (76,486) |
| (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 | $ 953,294 | |
| Less: current-year depreciation expense | (660,400) | 292,894 |
| (2) 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, 2017 | $ 1,139,042 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2016 | (1,025,339) | 113,703 |
| (3) The issuance of long-term debt (e.g., bonds, notes, other loan) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items. | | |
| Less: capital lease proceeds | $ (159,198) | |
| Add: principal payments on notes | 214,965 | |
| Add: principal payments on other loan | 200,004 | |
| Add: principal payments on capital leases | 155,334 | |
| Add: principal payments on bonds | 994,030 | |
| Add: change in premium on debt issuances | 25,566 | |
| Less: change in deferred amount on refunding debt | (14,537) | 1,416,164 |
| (4) 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 | $ 7,136 | |
| Change in compensated absences payable | (4,096) | |
| Change in other postemployment benefits liability | 84,032 | |
| Change in net pension asset/liability | (451,404) | |
| Change in deferred outflows related to pensions | 384,402 | |
| Change in deferred inflows related to pensions | 164,449 | 184,519 |
| Change in net position of governmental activities (Exhibit B) | | $ 1,930,794 |

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

Exhibit C-5

Crockett County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2017

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Local Taxes | $ 4,306,523 | $ 4,383,547 | $ 4,383,547 | $ (77,024) |
| Licenses and Permits | 39,039 | 40,350 | 40,350 | (1,311) |
| Fines, Forfeitures, and Penalties | 71,214 | 78,640 | 78,640 | (7,426) |
| Charges for Current Services | 662,214 | 739,950 | 739,950 | (77,736) |
| Other Local Revenues | 54,139 | 53,800 | 53,800 | 339 |
| Fees Received From County Officials | 603,722 | 603,200 | 603,200 | 522 |
| State of Tennessee | 956,811 | 1,049,747 | 998,747 | (41,936) |
| Federal Government | 47,177 | 59,098 | 59,098 | (11,921) |
| Other Governments and Citizens Groups | 153,713 | 61,023 | 144,068 | 9,645 |
| Total Revenues | $ 6,894,552 | $ 7,069,355 | $ 7,101,400 | $ (206,848) |
| **Expenditures** | | | | |
| General Government | | | | |
| County Commission | $ 15,988 | $ 15,988 | $ 15,988 | $ 0 |
| Board of Equalization | 130 | 420 | 420 | 290 |
| Beer Board | 325 | 200 | 325 | 0 |
| County Mayor/Executive | 195,395 | 217,910 | 217,910 | 22,515 |
| County Attorney | 0 | 1,150 | 1,150 | 1,150 |
| Election Commission | 167,970 | 171,996 | 171,996 | 4,026 |
| Register of Deeds | 97,680 | 99,728 | 99,728 | 2,048 |
| County Buildings | 361,648 | 333,820 | 374,822 | 13,174 |
| Finance | | | | |
| Accounting and Budgeting | 5,819 | 6,160 | 6,160 | 341 |
| Property Assessor's Office | 137,003 | 152,580 | 152,580 | 15,577 |
| County Trustee's Office | 144,671 | 144,776 | 144,776 | 105 |
| County Clerk's Office | 163,240 | 165,197 | 165,197 | 1,957 |
| Administration of Justice | | | | |
| Circuit Court | 206,814 | 214,119 | 214,119 | 7,305 |
| General Sessions Judge | 96,960 | 97,570 | 97,570 | 610 |
| Drug Court | 65,540 | 73,000 | 67,661 | 2,121 |
| Chancery Court | 105,110 | 105,363 | 105,363 | 253 |
| Juvenile Court | 70,427 | 70,623 | 70,623 | 196 |
| Other Administration of Justice | 8,996 | 9,000 | 9,000 | 4 |
| Public Safety | | | | |
| Sheriff's Department | 1,033,200 | 1,078,862 | 1,077,428 | 44,228 |
| Drug Enforcement | 23,301 | 0 | 23,301 | 0 |
| Jail | 907,781 | 899,813 | 913,313 | 5,532 |
| Juvenile Services | 311 | 500 | 500 | 189 |
| Fire Prevention and Control | 60,414 | 60,414 | 60,414 | 0 |
| Civil Defense | 51,804 | 59,120 | 59,120 | 7,316 |
| Rescue Squad | 10,000 | 10,000 | 10,000 | 0 |
| Other Emergency Management | 1,982 | 0 | 1,982 | 0 |
| County Coroner/Medical Examiner | 6,680 | 12,000 | 12,000 | 5,320 |
| Other Public Safety | 3,519 | 3,673 | 3,673 | 154 |
| Public Health and Welfare | | | | |
| Local Health Center | 80,328 | 139,540 | 129,204 | 48,876 |
| Rabies and Animal Control | 29,993 | 35,843 | 35,843 | 5,850 |
| Ambulance/Emergency Medical Services | 1,024,559 | 981,868 | 1,038,822 | 14,263 |

(Continued)

Exhibit C-5

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

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Expenditures (Cont.)** | | | | |
| Public Health and Welfare (Cont.) | | | | |
| Maternal and Child Health Services | $ 4,000 | $ 4,000 | $ 4,000 | $ 0 |
| Alcohol and Drug Programs | 10,165 | 10,165 | 10,165 | 0 |
| Crippled Children Services | 1,650 | 1,650 | 1,650 | 0 |
| Other Local Health Services | 5,000 | 16,337 | 16,337 | 11,337 |
| Appropriation to State | 51,900 | 51,900 | 51,900 | 0 |
| Other Local Welfare Services | 3,602 | 1,200 | 3,602 | 0 |
| Waste Pickup | 31,670 | 33,916 | 33,916 | 2,246 |
| Other Public Health and Welfare | 9,092 | 14,800 | 12,398 | 3,306 |
| Social, Cultural, and Recreational Services | | | | |
| Adult Activities | 402,120 | 392,727 | 425,147 | 23,027 |
| Libraries | 124,917 | 119,656 | 133,056 | 8,139 |
| Parks and Fair Boards | 7,778 | 10,075 | 10,075 | 2,297 |
| Agriculture and Natural Resources | | | | |
| Agricultural Extension Service | 72,304 | 64,901 | 74,013 | 1,709 |
| Soil Conservation | 100,760 | 103,316 | 103,316 | 2,556 |
| Flood Control | 10,717 | 10,717 | 10,717 | 0 |
| Other Operations | | | | |
| Veterans' Services | 21,511 | 21,200 | 21,550 | 39 |
| Other Charges | 280,915 | 301,276 | 301,276 | 20,361 |
| Contributions to Other Agencies | 42,300 | 42,300 | 42,300 | 0 |
| Employee Benefits | 698,964 | 722,600 | 754,163 | 55,199 |
| Miscellaneous | 78,304 | 69,000 | 84,000 | 5,696 |
| Principal on Debt | | | | |
| General Government | 100,531 | 0 | 90,626 | (9,905) |
| Interest on Debt | | | | |
| General Government | 10,706 | 0 | 8,520 | (2,186) |
| Total Expenditures | $ 7,146,494 | $ 7,152,969 | $ 7,473,715 | $ 327,221 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (251,942) | $ (83,614) | $ (372,315) | $ 120,373 |
| **Other Financing Sources (Uses)** | | | | |
| Capital Leases Issued | $ 96,288 | $ 37,500 | $ 101,750 | $ (5,462) |
| Insurance Recovery | 29,338 | 10,000 | 10,000 | 19,338 |
| Total Other Financing Sources | $ 125,626 | $ 47,500 | $ 111,750 | $ 13,876 |
| Net Change in Fund Balance | $ (126,316) | $ (36,114) | $ (260,565) | $ 134,249 |
| Fund Balance, July 1, 2016 | 935,349 | 1,014,243 | 1,014,243 | (78,894) |
| Fund Balance, June 30, 2017 | $ 809,033 | $ 978,129 | $ 753,678 | $ 55,355 |

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

Exhibit C-6

Crockett 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, 2017

| | Actual (GAAP Basis) | Add: Encumbrances 6/30/2017 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Local Taxes | $ 402,520 | $ 0 | $ 402,520 | $ 391,680 | $ 391,680 | $ 10,840 |
| Other Local Revenues | 3,450 | 0 | 3,450 | 12,500 | 12,500 | (9,050) |
| State of Tennessee | 2,327,644 | 0 | 2,327,644 | 3,143,066 | 3,143,066 | (815,422) |
| Other Governments and Citizens Groups | 2,600 | 0 | 2,600 | 5,000 | 5,000 | (2,400) |
| Total Revenues | $ 2,736,214 | $ 0 | $ 2,736,214 | $ 3,552,246 | $ 3,552,246 | $ (816,032) |
| **Expenditures** | | | | | | |
| Highways | | | | | | |
| Administration | $ 186,312 | $ 0 | $ 186,312 | $ 204,584 | $ 204,584 | $ 18,272 |
| Highway and Bridge Maintenance | 658,140 | 0 | 658,140 | 1,183,275 | 1,183,275 | 525,135 |
| Operation and Maintenance of Equipment | 271,897 | 0 | 271,897 | 405,900 | 405,900 | 134,003 |
| Other Charges | 126,837 | 0 | 126,837 | 130,193 | 130,193 | 3,356 |
| Employee Benefits | 223,828 | 0 | 223,828 | 258,494 | 258,494 | 34,666 |
| Capital Outlay | 1,229,589 | 56,023 | 1,285,612 | 2,192,596 | 2,154,006 | 868,394 |
| Principal on Debt | | | | | | |
| Highways and Streets | 32,873 | 0 | 32,873 | 0 | 32,873 | 0 |
| Interest on Debt | | | | | | |
| Highways and Streets | 5,717 | 0 | 5,717 | 0 | 5,717 | 0 |
| Total Expenditures | $ 2,735,193 | $ 56,023 | $ 2,791,216 | $ 4,375,042 | $ 4,375,042 | $ 1,583,826 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 1,021 | $ (56,023) | $ (55,002) | $ (822,796) | $ (822,796) | $ 767,794 |

(Continued)

Crockett County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund (Cont.)

| | Actual (GAAP Basis) | Add: Encumbrances 6/30/2017 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|---|---|
| Net Change in Fund Balance | $ 1,021 | $ (56,023) | $ (55,002) | $ (822,796) | $ (822,796) | $ 767,794 |
| Fund Balance, July 1, 2016 | 1,957,525 | 0 | 1,957,525 | 2,195,808 | 2,195,808 | (238,283) |
| Fund Balance, June 30, 2017 | $ 1,958,546 | $ (56,023) | $ 1,902,523 | $ 1,373,012 | $ 1,373,012 | $ 529,511 |

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

Exhibit D

Crockett County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2017

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash | $ 370,555 |
| Equity in Pooled Cash and Investments | 2,221 |
| Accounts Receivable | 4,690 |
| Due from Other Governments | 112,380 |
| Property Taxes Receivable | 484,213 |
| Allowance for Uncollectible Property Taxes | (18,997) |
| Total Assets | $ 955,062 |
| **LIABILITIES** | |
| Due to Other Taxing Units | $ 579,817 |
| Due to Litigants, Heirs, and Others | 375,245 |
| Total Liabilities | $ 955,062 |

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

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

# I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Crockett 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 Crockett County:

## A. Reporting Entity

Crockett County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Crockett County (the primary government) and its component units. The financial statements of the Crockett County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of its omission did not affect the independent auditor's opinion thereon. 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 Crockett County School Department operates the public school system in the county, and the voters of Crockett County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the county commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Crockett County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Crockett County, and the Crockett County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the county commission's approval. The financial statements of the Crockett County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Crockett 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 Crockett County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Crockett County Emergency Communications District
22 South Court Street
Alamo, TN 38001

## B. Government-wide and Fund Financial Statements

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

Crockett County issues all debt for the discretely presented Crockett County School Department. Net debt issues totaling $62,910 were contributed by the county to the School Department during the year ended June 30, 2017.

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

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

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

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

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

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

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

Fiduciary funds financial statements are reported using the economic resources measurement focus, 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.

Crockett County reports the following major governmental funds:

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

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

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

Additionally, Crockett County reports the following fund types:

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for the receipt of debt issued by Crockett County and contributed to the School Department for equipment purchases.

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

The discretely presented Crockett County School Department reports the following major governmental funds:

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

**School Transportation Fund** – This special revenue fund is used to account for transportation operations of the School Department. Local taxes are the foundational revenues of this fund.

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

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

### 1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Crockett County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service and General Purpose School funds. Crockett 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 for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.98 percent of total taxes levied.

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

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

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

**3. <u>Capital Assets</u>**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than 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 |
|---|---|
| Buildings and Improvements | 25 - 50 |
| Other Capital Assets | 3 - 20 |
| Infrastructure: | |
| Roads | 8 - 20 |
| Bridges | 15 - 30 |

## 4. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. 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, and various receivables for revenues, which do not meet the availability criteria for governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## 5. Compensated Absences

The policy of Crockett County (with the exception of the Highway Department) does not provide for employees to receive compensation for unused accumulated vacation or sick leave days. The Highway

Department permits its employees to accumulate a limited amount of earned but unused sick leave benefits, which will be paid to employees upon death or retirement from county service. A liability for sick leave benefits is reported in governmental funds only if amounts have matured, for example, as a result of employee retirements.

There is no liability for unpaid accumulated vacation leave for employees of the discretely presented Crockett County School Department since those benefits do not vest or accumulate and must be used within the year or lost. There is also no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the government.

6. **Long-term Obligations**

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

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

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

7. **Net Position and Fund Balance**

In the government-wide financial statements, 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, 2017, Crockett County had $10,746,851 in outstanding debt for capital purposes for the discretely presented Crockett County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Alamo and City of Bells school systems) based on average daily attendance proration. This debt is a liability of Crockett County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Alamo and the City of Bells school systems. Therefore, Crockett County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

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

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

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

#### Primary Government

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

#### Discretely Presented Crockett County School Department

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

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

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

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

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

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

### B. Cash Shortage – Prior Year

On September 2, 2016, the Comptroller's Division of Investigations issued a special report on the School Department for the period September 1, 2002, through September 2014. This report disclosed that the former director of technology falsified an invoice resulting in a cash shortage of $5,923. In addition, the report disclosed misappropriated items, falsified items, and other questionable disbursements. The former director of technology was indicted by a Grand Jury on July 20, 2015, on one count of theft of property, one count of tampering with evidence, and one count of official misconduct. At the time of our reporting, the next court date was set for February 9, 2018.

### C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the county commission in the Principal on Debt – General Government and Interest on Debt – General Government major appropriation categories (the legal level of control) of the General Fund by $9,905 and $2,186, respectively. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

### D. The County Mayor and School Department Failed to Comply with State Statutes When Issuing Debt

The county mayor failed to comply with state statutes when entering into two lease-purchase agreements for vehicles for the emergency management service and the Sheriff's Department. In addition, the School Department failed to comply with state statutes when entering into a lease-purchase agreement for laptop computers. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

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

#### Deposits

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

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

## Investments

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

**Investment Balances.** As of June 30, 2017, Crockett County had the following investments carried at amortized cost using a Stable Net Asset Value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Crockett County and the discretely presented Crockett County School Department since both pool their deposits and investments through the county trustee.

| Investment | Weighted Average Maturity (days) | Amortized Cost |
|---|---|---|
| State Treasurer's Investment Pool | 3 to 80 | $ 857,479 |

**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. Crockett 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. Crockett County has no investment policy that would further limit its investment choices. As of June 30, 2017, Crockett County's investment in the State Treasurer's Investment Pool was unrated.

## B. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

**Primary Government - Governmental Activities:**

| | Balance 7-1-16 | Increases | Decreases | Balance 6-30-17 |
|---|---|---|---|---|
| Capital Assets Not Depreciated: | | | | |
| Land | $ 889,130 | $ 0 | $ 0 | $ 889,130 |
| Construction in Progress | 184,925 | 255,334 | (184,925) | 255,334 |
| Total Capital Assets Not Depreciated | $ 1,074,055 | $ 255,334 | $ (184,925) | $ 1,144,464 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | $ 6,299,200 | $ 298,400 | $ 0 | $ 6,597,600 |
| Infrastructure | 2,842,273 | 0 | 0 | 2,842,273 |
| Other Capital Assets | 4,533,280 | 584,485 | (217,944) | 4,899,821 |
| Total Capital Assets Depreciated | $ 13,674,753 | $ 882,885 | $ (217,944) | $ 14,339,694 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | $ 3,567,806 | $ 212,612 | $ 0 | $ 3,780,418 |
| Infrastructure | 661,731 | 94,742 | 0 | 756,473 |
| Other Capital Assets | 3,452,376 | 353,046 | (217,944) | 3,587,478 |
| Total Accumulated Depreciation | $ 7,681,913 | $ 660,400 | $ (217,944) | $ 8,124,369 |
| Total Capital Assets Depreciated, Net | $ 5,992,840 | $ 222,485 | $ 0 | $ 6,215,325 |
| Governmental Activities Capital Assets, Net | $ 7,066,895 | $ 477,819 | $ (184,925) | $ 7,359,789 |

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

**Governmental Activities:**

| | |
|---|---|
| General Government | $ 74,426 |
| Finance | 900 |
| Public Safety | 146,677 |
| Public Health and Welfare | 69,239 |
| Social, Cultural, and Recreational Services | 42,321 |
| Highway/Public Works | 326,837 |
| Total Depreciation Expense - Governmental Activities | $ 660,400 |

**Discretely Presented Crockett County School Department - Governmental Activities:**

| | Balance 7-1-16 | Increases | Decreases | Balance 6-30-17 |
|---|---|---|---|---|
| Capital Assets Not Depreciated: | | | | |
| Land | $ 935,805 | $ 0 | $ 0 | $ 935,805 |
| Construction in Progress | 65,917 | 11,743 | 0 | 77,660 |
| Total Capital Assets Not Depreciated | $ 1,001,722 | $ 11,743 | $ 0 | $ 1,013,465 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | $ 20,145,310 | $ 0 | $ 0 | $ 20,145,310 |
| Infrastructure | 497,553 | 0 | 0 | 497,553 |
| Other Capital Assets | 3,435,185 | 212,612 | (111,722) | 3,536,075 |
| Total Capital Assets Depreciated | $ 24,078,048 | $ 212,612 | $ (111,722) | $ 24,178,938 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | $ 8,573,226 | $ 399,992 | $ 0 | $ 8,973,218 |
| Infrastructure | 328,704 | 22,862 | 0 | 351,566 |
| Other Capital Assets | 2,839,775 | 135,951 | (111,722) | 2,864,004 |
| Total Accumulated Depreciation | $ 11,741,705 | $ 558,805 | $ (111,722) | $ 12,188,788 |
| Total Capital Assets Depreciated, Net | $ 12,336,343 | $ (346,193) | $ 0 | $ 11,990,150 |
| Governmental Activities Capital Assets, Net | $ 13,338,065 | $ (334,450) | $ 0 | $ 13,003,615 |

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

**Governmental Activities:**

| | |
|---|---|
| Instruction | $ 366,152 |
| Support Services | 155,667 |
| Operation of Non-instructional Services | 36,986 |
| Total Depreciation Expense - Governmental Activities | $ 558,805 |

## C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, was as follows:

**Due to/from Other Funds:**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Primary Government: | | |
| General | Nonmajor governmental | $ 1,601 |
| Discretely Presented School Department: | | |
| General Purpose School | Nonmajor governmental | 13 |

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

**Interfund Transfer:**

Interfund transfers for the year ended June 30, 2017, consisted of the following amount:

**Discretely Presented Crockett County School Department**

| Transfer Out | Transfer In General Purpose School Fund |
|---|---|
| School Transportation Fund | $ 336,210 |

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.

## D. Operating Lease

On September 5, 2013, the Crockett County School Department entered into a five-year operating lease for eight copy machines. The terms of the lease agreement require total lease payments of $74,940. The expenditures for the year ended June 30, 2017, were $14,988.

The future minimum lease payments for the lease are as follows:

| Year Ending June 30 | Amount |
|---|---|
| 2018 | $ 14,988 |
| 2019 | 3,747 |
| Total | $ 18,735 |

## E. Capital Leases

On October 28, 2015, Crockett County entered into a three-year lease-purchase agreement for two dump trucks for the Highway Department. The terms of the agreement require total lease payments of $275,454 plus interest payments of 2.34 percent. Titles to the vehicles transfer to Crockett County at the end of the lease period. The lease payments are made from the Highway/Public Works Fund.

On November 15, 2015, Crockett County entered into a five-year lease-purchase agreement for four Zoll monitor/defibrillators for the Ambulance Service. The terms of the agreement require total lease payments of $146,061 plus interest payments of 4.694 percent. Ownership transfers to Crockett County at the end of the lease period. The lease payments are made from the General Fund.

On December 11, 2015, Crockett County entered into a four-year lease-purchase agreement for a bus for the Crockett County Senior Citizen's Center. The terms of the agreement require total lease payments of $41,165 plus interest payments of 6.45 percent. Title to the vehicle transfers to Crockett County at the end of the lease period. The lease payments are made from the General Fund.

On June 13, 2016, Crockett County entered into a two-year lease-purchase agreement for three trucks for the Sheriff's Department. The terms of the agreement require total lease payments of $83,792 plus interest payments of six percent. Titles to the vehicles transfer to Crockett County at the end of the lease period. The lease payments are made from the General Fund.

On February 16, 2017, Crockett County entered into a two-year lease-purchase agreement for a truck for the emergency management service. The terms of the agreement require total lease payments of $36,545 plus interest payments of six percent. Title to the vehicle transfers to Crockett County at the end of the lease period. The lease payments are made from the General Fund.

On April 1, 2017, Crockett County entered into a two-year lease-purchase agreement for 90 laptop computers for teachers. The terms of the agreement require total lease payments of $62,910 plus interest payments of 4.65 percent. Ownership of the computers transfer to Crockett County at the end of the lease period. The lease payments are made from the General Debt Service Fund. In the government-wide financial statements, the computers were expensed in the year of acquisition because those items did not meet criteria of the county's capitalization policy.

On June 2, 2017, Crockett County entered into a two-year lease-purchase agreement for two trucks for the Sheriff's Department. The terms of the agreement require total lease payments of $59,743 plus interest payments of 5.65 percent. Titles to the vehicles transfer to Crockett County at the end of the lease period. The lease payments are made from the General Fund.

The assets acquired through capital leases are as follows:

| Assets | | Governmental Activities |
|---|---|---|
| Machinery and Equipment | $ | 642,760 |
| Less: Accumulated Depreciation | | (124,741) |
| Total Book Value | $ | 518,019 |

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

| Year Ending June 30 | | Governmental Funds |
|---|---|---|
| 2018 | $ | 165,972 |
| 2019 | | 293,103 |
| 2020 | | 41,961 |
| 2021 | | 10,889 |
| Total Minimum Lease Payments | $ | 511,925 |
| Less: Amount Representing Interest | | (28,914) |
| Present Value of Minimum Lease Payments | $ | 483,011 |

F. **Long-term Obligations**

**Primary Government**

General Obligation Bonds, Notes, and Other Loan

Crockett County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. 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 40 years for bonds, up to 12 years for notes, and up to ten years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and the other loan included in long-term debt as of June 30, 2017, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, the other loan, and capital leases outstanding as of June 30, 2017, for governmental activities are as follows:

| Type | Interest Rate | Final Maturity | Original Amount of Issue | Balance 6-30-17 |
|---|---|---|---|---|
| General Obligation Bonds | 5% | 1-1-19 | $ 50,000 | $ 5,532 |
| General Obligation Bonds - Refunding | 2 to 4 | 4-1-25 | 11,235,000 | 10,025,000 |
| Capital Outlay Notes | 0 to 2.95 | 6-1-26 | 1,845,400 | 973,907 |
| Other Loan | 0 | 10-1-22 | 2,000,000 | 1,116,634 |
| Capital Leases | 2.34 to 6.45 | 10-15-20 | 705,670 | 483,011 |

During 2011-12, Crockett County entered into an agreement with the Tennessee Energy Efficient Schools Council to receive funding from the Energy Efficient Schools Initiative program. Under this agreement, the program loaned Crockett County $2,000,000 to fund a project to increase energy efficiency in the Crockett County school system. The loan is interest free.

The annual requirements to amortize all general obligation bonds, notes, and the other loan outstanding as of June 30, 2017, including interest payments, are presented in the following tables:

| Year Ending June 30 | Bonds Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 1,082,701 | $ 345,139 | $ 1,427,840 |
| 2019 | 1,132,831 | 301,818 | 1,434,649 |
| 2020 | 1,190,000 | 267,775 | 1,457,775 |
| 2021 | 1,230,000 | 230,588 | 1,460,588 |
| 2022 | 1,275,000 | 190,613 | 1,465,613 |
| 2023-2025 | 4,120,000 | 297,612 | 4,417,612 |
| Total | $ 10,030,532 | $ 1,633,545 | $ 11,664,077 |

| Year Ending June 30 | Notes Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 206,845 | $ 16,643 | $ 223,488 |
| 2019 | 207,552 | 14,664 | 222,216 |
| 2020 | 187,828 | 12,667 | 200,495 |
| 2021 | 74,020 | 10,577 | 84,597 |
| 2022 | 74,784 | 8,376 | 83,160 |
| 2023-2026 | 222,878 | 13,375 | 236,253 |
| Total | $ 973,907 | $ 76,302 | $ 1,050,209 |

| Year Ending June 30 | Other Loan Principal | Total |
|---|---|---|
| 2018 | $ 200,004 | $ 200,004 |
| 2019 | 200,004 | 200,004 |
| 2020 | 200,004 | 200,004 |
| 2021 | 200,004 | 200,004 |
| 2022 | 200,004 | 200,004 |
| 2023 | 116,614 | 116,614 |
| Total | $ 1,116,634 | $ 1,116,634 |

There is $1,755,766 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $688 based on the 2010 federal census. Total debt per capita, including bonds, notes, other loan, capital leases, and unamortized debt premiums totaled $866, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2017, was as follows:

Governmental Activities:

| | Bonds | Notes | Other Loan |
|---|---|---|---|
| Balance, July 1, 2016 | $ 11,024,562 | $ 1,188,872 | $ 1,316,638 |
| Reductions | (994,030) | (214,965) | (200,004) |
| Balance, June 30, 2017 | $ 10,030,532 | $ 973,907 | $ 1,116,634 |
| Balance Due Within One Year | $ 1,082,701 | $ 206,845 | $ 200,004 |

| | Capital Leases | Compensated Absences | Other Postemployment Benefits |
|---|---|---|---|
| Balance, July 1, 2016 | $ 479,147 | $ 69,926 | $ 229,032 |
| Additions | 159,198 | 30,348 | 22,965 |
| Reductions | (155,334) | (26,252) | (106,997) |
| Balance, June 30, 2017 | $ 483,011 | $ 74,022 | $ 145,000 |
| Balance Due Within One Year | $ 148,178 | $ 3,702 | $ 0 |

| | Net Pension Liability - Agent Pension Plan* |
|---|---|
| Balance, July 1, 2016 | $ (51,237) |
| Additions | 1,134,560 |
| Reductions | (683,156) |
| Balance, June 30, 2017 | $ 400,167 |
| Balance Due Within One Year | $ 0 |

*At July 1, 2016, the agent pension plan had a net pension asset.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---|
| Total Noncurrent Liabilities, June 30, 2017 | $ 13,223,273 |
| Less: Balance Due Within One Year | (1,641,430) |
| Add: Unamortized Premium on Debt | 32,488 |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | $ 11,614,331 |

Compensated absences will be paid from the Highway/Public Works Fund. Other postemployment benefits and the net pension liability will be paid from the employing funds, primarily the General and Highway/Public Works funds.

**Discretely Presented Crockett County School Department**

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Crockett County School Department for the year ended June 30, 2017, was as follows:

Governmental Activities:

| | Other Postemployment Benefits | Net Pension Liability - Agent Plan * |
|---|---|---|
| Balance, July 1, 2016 | $ 365,816 | $ (25,042) |
| Additions | 91,258 | 541,799 |
| Reductions | (48,938) | (325,660) |
| Balance, June 30, 2017 | $ 408,136 | $ 191,097 |
| Balance Due Within One Year | $ 0 | $ 0 |

* At July 1, 2016, the agent pension plan had a net pension asset.

| | Net Pension Liability - Teacher Legacy Pension Plan |
|---|---|
| Balance, July 1, 2016 | $ 77,669 |
| Additions | 3,116,645 |
| Reductions | (1,978,334) |
| Balance, June 30, 2017 | $ 1,215,980 |
| Balance Due Within One Year | $ 0 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---|
| Total Noncurrent Liabilities, June 30, 2017 | $ 1,815,213 |
| Less: Balance Due Within One Year | 0 |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | $ 1,815,213 |

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

## G. On-Behalf Payments – Discretely Presented Crockett County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Crockett 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, 2017, were $26,604 and $12,888, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

## H. Short-term Debt

Crockett County issued a tax anticipation note in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2017, was as follows:

| | Balance 7-1-16 | Issued | Paid | Balance 6-30-17 |
|---|---|---|---|---|
| Tax Anticipation Notes | $ 0 | $ 370,000 | $ (370,000) | $ 0 |

## V. OTHER INFORMATION

### A. Risk Management

#### Employee Health Insurance

#### Primary Government

Crockett County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-201, *Tennessee Code Annotated* (*TCA*), all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

#### Discretely Presented Crockett County School Department

The School Department participated in a public entity risk pool to provide health insurance coverage for its employees until December 31, 2016. Effective January 1, 2017, the School Department purchased commercial insurance to provide health insurance coverage for employees.

#### Liability, Property, Casualty, and Workers' Compensation Insurance

Crockett County and the discretely presented School Department participate in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. Crockett 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures;* Statement No.

78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans;* Statement No. 80, *Blending Requirements for Certain Component Units*; and Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, became effective for the year ended June 30, 2017.

GASB Statement No. 74, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose external financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 43 and 57. It also includes requirements for defined contribution OPEB plans that replace the requirements in Statements No. 25, No. 43, and No. 50. The scope of this statement includes OPEB plans, both defined benefit and defined contribution, administered through trusts meeting the necessary criteria as well as reporting assets accumulated through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 77, established reporting requirements for tax abatements. This standard requires the disclosure of information about the nature and magnitude of tax abatement agreements entered into by state and local governments that reduce the government's tax revenues.

GASB Statement No. 78, amends Statement No. 68 to exclude certain pensions provided to employees of state or local governments through cost-sharing multiple-employer pension plans that are not state or local plans and meet specific other criteria. This statement establishes recognition, measurement, and reporting requirements criteria for these plans.

GASB Statement No. 80, amends the blending requirements of paragraph 53 of Statement No. 14. This standard adds additional blending criterion, which requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 82 amends Statements No. 67, No. 68, and No. 73. This standard establishes covered payroll as the payroll on which contributions to a pension plan are based in the Required Supplementary Information. In addition, this standard clarifies that employer paid member contributions should be considered plan member contributions for purposes of applying Statement No. 67, and employee contributions for the purposes of applying Statement No. 68. This standard further states that an employer's expense and expenditures for employer paid member contributions should be recognized in the period for which the contribution is assessed and classified in the same manner that the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

## C. Contingent Liabilities

The county attorney advised that there were no pending lawsuits, unasserted claims, or assessments that would materially affect the county or School Department's financial statements.

## D. Joint Venture

The Twenty-eight Judicial District Drug Task Force (DTF) is participating in a joint venture formed by an interlocal agreement between the district attorney generals of the Twenty-eighth Judicial District, the Twenty-ninth Judicial District, the Thirtieth Judicial District, Crockett and Gibson counties, and the West Tennessee Judicial Violent Crime and Drug Task Force (WTJDTF). The purpose of the entity is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities and highway criminal interdiction. Funds for the operations of the entity come primarily from federal grants, fines, and the forfeiture of assets to the entity. Crockett County made no contributions to the WTJDTF for the year ended June 30, 2017.

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

Administrative Offices:

Office of District Attorney General
Twenty-eighth Judicial District
P.O. Box 145
Trenton, TN 38382

## E. Retirement Commitments

### Tennessee Consolidated Retirement System (TCRS)

### Primary Government

### General Information About the Pension Plan

*Plan Description.* Employees of Crockett County and non-certified employees of the discretely presented Crockett 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 67.68 percent and the non-certified employees of the discretely presented School Department comprised 32.32 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 | 94 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 130 |
| Active Employees | 173 |
| Total | 397 |

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Crockett 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, 2017, the employer contribution for Crockett County was $403,110 based on a rate of 6.51 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Crockett County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (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)**

Crockett 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 | 2.50% |

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 Crockett 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, 2015 | $ 14,955,113 | $ 15,031,392 | $ (76,279) |
| Changes for the year: | | | |
| Service Cost | $ 452,318 | $ 0 | $ 452,318 |
| Interest | 1,126,920 | 0 | 1,126,920 |
| Differences Between Expected and Actual Experience | 83,949 | 0 | 83,949 |
| Contributions-Employer | 0 | 344,966 | (344,966) |
| Contributions-Employees | 0 | 265,746 | (265,746) |
| Net Investment Income | 0 | 396,767 | (396,767) |
| Benefit Payments, Including Refunds of Employee Contributions | (763,670) | (763,670) | 0 |
| Administrative Expense | 0 | (13,172) | 13,172 |
| Other Changes | 0 | 1,337 | (1,337) |
| Net Changes | $ 899,517 | $ 231,974 | $ 667,543 |
| Balance, June 30, 2016 | $ 15,854,630 | $ 15,263,366 | $ 591,264 |

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

| | | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|---|---|---|---|
| Primary Government | 67.68% | $ 10,730,414 | $ 10,330,246 | $ 400,167 |
| School Department | 32.32% | 5,124,216 | 4,933,120 | 191,097 |
| Total | | $ 15,854,630 | $ 15,263,366 | $ 591,264 |

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

| Crockett County | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|---|---|---|---|
| Net Pension Liability (Asset) | $ 2,557,613 | $ 591,264 | $ (1,043,213) |

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Expense.* For the year ended June 30, 2017, Crockett County recognized pension expense of $215,820.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2017, Crockett 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 | $ 184,639 | $ 227,508 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 508,850 | 0 |
| Contributions Subsequent to the Measurement Date of June 30, 2016 (1) | 403,110 | N/A |
| Total | $ 1,096,599 | $ 227,508 |

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2016," 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 | $ 711,953 | $ 153,977 |
| School Department | 384,646 | 73,531 |
| Total | $ 1,096,599 | $ 227,508 |

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 |
|---|---|
| 2018 | $ 11,668 |
| 2019 | 11,668 |
| 2020 | 241,109 |
| 2021 | 187,544 |
| 2022 | 13,992 |
| Thereafter | 0 |

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

## Discretely Presented Crockett County School Department

## Non-certified Employees

### General Information About the Pension Plan

*Plan Description.* As noted above under the primary government, employees of Crockett County and non-certified employees of the discretely presented Crockett 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 67.68 percent and the non-certified employees of the discretely presented School Department comprised 32.32 percent of the plan based on contribution data.

**Certified Employees**

**Teacher Retirement Plan**

### General Information About the Pension Plan

*Plan Description.* Teachers of the Crockett 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 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. 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, 2017, to the Teacher Retirement Plan were $35,131, 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, 2017, the Crockett County School Department reported an asset of $15,062 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 Crockett County School Department's proportion of the net pension asset was based on the Crockett 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 Crockett County School Department's proportion was .144682 percent. The revised proportion measured at June 30, 2015, was .151739 percent.

*Pension Expense.* For the year ended June 30, 2017, the Crockett County School Department recognized pension expense of $12,627.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2017, the Crockett 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 | $ 1,459 | $ 1,737 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 2,466 | 0 |
| Changes in Proportion of Net Pension Liability (Asset) | 198 | 0 |
| LEA's Contributions Subsequent to the Measurement Date of June 30, 2016 | 35,131 | 0 |
| Total | $ 39,254 | $ 1,737 |

The Crockett County School Department's employer contributions of $35,131, 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, 2018. 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 |
|---|---|
| 2018 | $ 626 |
| 2019 | 626 |
| 2020 | 626 |
| 2021 | 508 |
| 2022 | (20) |
| Thereafter | 20 |

*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 Crockett 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 Crockett 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 (Asset) | $ 7,112 | $ (15,062) | $ (31,400) |

*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 Crockett 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 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. 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 Crockett County School Department for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were $636,030, 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, 2017, the Crockett County School Department reported a liability of $1,215,980 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 Crockett County School Department's proportion of the net pension liability (asset) was based on the Crockett 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 Crockett County School Department's proportion was .194574 percent. The proportion measured at June 30, 2015, was .189605 percent.

*Pension Expense.* For the year ended June 30, 2017, the Crockett County School Department recognized pension expense of $178,838.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2017, the Crockett 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 | $ 51,173 | $ 1,472,149 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 1,357,658 | 0 |
| Changes in Proportion of Net Pension Liability (Asset) | 149,682 | 0 |
| LEA's Contributions Subsequent to the Measurement Date of June 30, 2016 | 636,030 | N/A |
| Total | $ 2,194,543 | $ 1,472,149 |

The Crockett County School Department's employer contributions of $636,030 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, 2018. 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 |
|---|---|
| 2018 | $ (191,994) |
| 2019 | (191,994) |
| 2020 | 459,274 |
| 2021 | 99,472 |
| 2022 | (88,394) |
| 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 Crockett 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 Crockett 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 (Asset) | $ | 6,677,156 | $ | 1,215,980 | $ | (3,307,812) |

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

## F. Other Postemployment Benefits (OPEB)

### Primary Government

Plan Description

Crockett County participates in the state-administered Local Government 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 8-27-207, *Tennessee Code Annotated* (*TCA*). 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 employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. Retirees' contributions vary depending on the insurance options they select. During the year ended June 30, 2017, Crockett County contributed $3,265 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

| | | Local Government Group Plan |
|---|---|---|
| ARC | $ | 23,000 |
| Interest on the NOPEBO | | 8,588 |
| Adjustment to the ARC | | (8,623) |
| Annual OPEB cost | $ | 22,965 |
| Less: Amount of contribution | | (3,265) |
| Less: Adjustment to Align ARC with AAL | | (103,732) |
| Increase/decrease in NOPEBO | $ | (84,032) |
| Net OPEB obligation, 7-1-16 | | 229,032 |
| Net OPEB obligation, 6-30-17 | $ | 145,000 |

| Fiscal Year Ended | Plans | | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|---|---|---|---|---|---|
| 6-30-15 | Local Government Group | $ | 13,207 | 37% | $ 209,339 |
| 6-30-16 | " | | 21,969 | 10 | 229,032 |
| 6-30-17 | " | | 22,965 | 14 | 145,000 |

Funded Status and Funding Progress

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

| | | Local Government Group Plan |
|---|---|---|
| Actuarial valuation date | | 7-1-15 |
| Actuarial accrued liability (AAL) | $ | 145,000 |
| Actuarial value of plan assets | $ | 0 |
| Unfunded actuarial accrued liability (UAAL) | $ | 145,000 |
| Actuarial value of assets as a % of the AAL | | 0% |
| Covered payroll (active plan members) | $ | 4,100,719 |
| UAAL as a % of covered payroll | | 4% |

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 Government Group 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 six percent in fiscal year 2017, and then be reduced by decrements to an ultimate rate of 4.645 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 35-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

**Discretely Presented Crockett County School Department**

Plan Description

The Crockett County School Department participated in the state-administered Local Education Group Insurance Plan for healthcare benefits until December 31, 2016. Effective January 1, 2017, the School Department established a stand-alone plan that includes pre-Medicare retirees. The commercial postemployment benefits plan is administered by Cigna and provides medical, dental, and vision benefits for retirees and their covered dependents. Benefits are established and amended by the Board of Education. For accounting purposes, the plan is a single-employer defined benefit OPEB plan.

Funding Policy

The premium requirements of plan members are established and may be amended by the Board of Education. The School Department develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums. The School Department makes a contribution for certified retirees who have 30 years of service or have reached age 60 with five years of service. The contribution percentage depends on the years of eligible service at retirement and varies from 25 percent to 45 percent. Non-certified employees do not receive a subsidy. All active employees who retire directly from the Crockett County School Department and meet the eligibility criteria may participate. Surviving spouses of eligible retirees may also be eligible to continue coverage. The provided coverage continues until age 65. Dental and vision benefits are also available with the retiree paying 100 percent of the contribution. During the year ended June 30, 2017, the School Department contributed $48,938 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

| | School Department |
|---|---|
| ARC | $ 91,311 |
| Interest on the NOPEBO | 13,718 |
| Adjustment to the ARC | (13,771) |
| Annual OPEB cost | $ 91,258 |
| Less: Amount of contribution | (48,938) |
| Increase/decrease in NOPEBO | $ 42,320 |
| Net OPEB obligation, 7-1-16 | 365,816 |
| Net OPEB obligation, 6-30-17 | $ 408,136 |

| Fiscal Year Ended | Plan | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|---|---|---|---|---|
| 6-30-15 | School Department | $ 74,363 | 97% | $ 353,886 |
| 6-30-16 | " | 96,947 | 88 | 365,816 |
| 6-30-17 | " | 91,258 | 54 | 408,136 |

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017, was as follows:

| | | School Department |
|---|---|---|
| Actuarial valuation date | | 6-30-17 |
| Actuarial accrued liability (AAL) | $ | 822,941 |
| Actuarial value of plan assets | $ | 0 |
| Unfunded actuarial accrued liability (UAAL) | $ | 822,941 |
| Actuarial value of assets as a % of the AAL | | 0% |
| Covered payroll (active plan members) | $ | 10,606,991 |
| UAAL as a % of covered payroll | | 8% |

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

Valuation results for the School Department's medical plan were calculated based upon plan provisions, as provided by the Crockett County School Department, along with certain demographic and economic assumptions with guidance from GASB Statement No. 45. Demographic assumptions were provided by the School Department with no assumptions for future hires. GASB Statement No. 45 requires that the discount rate used to determine the retiree healthcare liabilities should be the estimated long-term yield on the investments that are expected to be used to finance the payment of benefits. Since the School Department does not pre-fund the retiree healthcare benefits, a discount rate of 3.75 percent has been used. The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The trend assumption was developed utilizing the short-term rates for the School Department medical plan along with other secondary data regarding long-term health cost trends. The annual required contribution reflects a 30-year amortization of the unfunded actuarial accrued liability as a level percentage of covered payroll.

## G. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated* (*TCA*). This act provides for all purchases exceeding

$10,000, excluding emergency purchases, to be made based on competitive bids solicited through newspaper advertisement.

Office of Road Supervisor

Purchasing procedures for the Highway Department are governed by provisions of Chapter 26, Private Acts of 1933, as amended, and the Uniform Road Law, Section 54-7-113, *TCA*. These statutes place purchasing responsibilities with the County Road Commission and require all purchases exceeding $10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

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

## H. Subsequent Event

On September 8, 2017, the county's General Debt Service Fund issued a $500,000 tax anticipation note to the General Fund for temporary operating funds.

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.