OFFICIAL STATEMENT

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

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. 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 excise and franchise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)

$8,010,000
LOUDON COUNTY, TENNESSEE
General Obligation Bonds, Series 2018

Dated: November 30, 2018. — Due: June 1, as shown below.

The $8,010,000 General Obligation Bonds, Series 2018 (the "Bonds") of Loudon County, Tennessee (the "County") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2019 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

The Bonds maturing June 1, 2025 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2024.

Due (June 1)	Amount	Interest Rate	Yield		CUSIP**	Due (June 1)	Amount	Interest Rate	Yield		CUSIP**
2021	$ 335,000	4.00%	2.25%		545760 WD8	2027	$ 405,000	3.00%	2.80%	c	545760 WK2
2022	345,000	4.00	2.30		545760 WE6	2028	420,000	3.00	2.90	c	545760 WL0
2023	360,000	3.00	2.40		545760 WF3	2029	430,000	3.00	3.00		545760 WM8
2024	370,000	3.00	2.50		545760 WG1	2030	445,000	3.25	3.05	c	545760 WN6
2025	380,000	3.00	2.60	c	545760 WH9	2031	455,000	3.25	3.15	c	545760 WP1
2026	395,000	3.00	2.70	c	545760 WJ5						

$3,670,000 3.50% Term Bond Due June 1, 2038 @ 3.50% 545760 WW6

c = Yield to call on June 1, 2024.

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Bob Bowman, 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 November 30, 2018.

Cumberland Securities Company, Inc.
Financial Advisor

November 5, 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 Continuing Disclosure Certificate (as such capitalized terms are defined herein), 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 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 (as such capitalized terms are defined herein) 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.

LOUDON COUNTY, TENNESSEE

OFFICIALS

County Mayor	Rollen "Buddy" Bradshaw
County Clerk	Carrie McKelvey
Director of Accounts and Budgets	Tracy Blair
Director of Schools	Jason Vance
Assessor of Property	Michael Campbell
County Trustee	Chip Miller
County Attorney	Bob Bowman

COUNTY LEGISLATIVE BODY

Henry Cullen	Bill Satterfield
Harold Duff	Van Shaver
Julia Hurley	Matthew Tinker
Kelly Littleton-Brewster	Michael Waller
David Meers	Gary Whitfield

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

BOND REGISTRAR AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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APPENDIX C: LOUDON COUNTY GENERAL PURPOSE FINANCIAL STATEMENTS

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

Securities Offered.......................... $8,010,000 General Obligation Bonds, Series 2018 (the "Bonds") of the County, dated the date of issuance November 30, 2018. The Bonds mature each June 1 beginning June 1, 2021 through June 1, 2031, inclusive, and June 1, 2038. See 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 financing the (i) renovation of the jail at the Loudon County Justice Center, including the acquisition of land for and design, site development, constructing, improving, and equipping of the jail and improvements to related streets, roads, sidewalks and utilities; (ii) payment of legal, fiscal, administrative, architectural and engineering costs incident to any or all of the foregoing; (iii) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (iv) payment of costs incident to the issuance and sale of the bonds.

Optional Redemption .... The Bonds maturing June 1, 2025 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2024. See Section entitled "SECURITIES OFFERED – Optional Redemption".

Tax Matters.................................... In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. 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... Moody's: "Aa2". See the section entitled "MISCELLANEOUS - Rating" for more information.

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

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

Bond Counsel	Bass, Berry & Sims PLC, Nashville, 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 The Honorable Rollen "Buddy" Bradshaw, County Mayor, 100 River Road, Suite 106, Loudon, TN 37774, Telephone: (865) 458-4664; or the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508, Knoxville, Tennessee 37933, Telephone: (865) 988-2663.

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

	2013	**2014**	**2015**	**2016**	**2017**
Beginning Fund Balance	$7,087,439	$7,386,132	$8,069,288	$7,332,558	$7,434,184
Revenues	15,088,504	15,284,602	15,289,971	16,268,580	16,977,037
Expenditures	14,795,976	15,639,615	15,639,603	16,285,552	17,129,833
Excess (Deficiency) of Revenues Over Expenditures	292,528	(355,013)	(349,632)	(16,972)	(152,796)
Debt Proceeds	-	-	-	-	20,075
Insurance Recovery	6,165	38,169	12,902	18,598	66,443
Transfers In	-	1,000,000	-	100,000	16,555
Transfers Out	-	-	(400,000)	-	(172,778)
Ending Fund Balance	**$7,386,132**	**$8,069,288**	**$7,332,558**	**$7,434,184**	**$7,211,683**

Source: Comprehensive Annual Financial Reports of the County.

$8,010,000
LOUDON COUNTY, TENNESSEE
General Obligation Bonds, Series 2018

SECURITIES OFFERED

AUTHORITY

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Loudon County, Tennessee (the "County") of $8,010,000 General Obligation 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 resolutions duly adopted by the Loudon County Commission on April 3, 2017 and April 2, 2018 (the "Resolutions").

FINANCING PLAN

The Bonds are being issued for the purpose of financing the (i) renovation of the jail at the Loudon County Justice Center, including the acquisition of land for and design, site development, constructing, improving, and equipping of the jail and improvements to related streets, roads, sidewalks and utilities; (ii) payment of legal, fiscal, administrative, architectural and engineering costs incident to any or all of the foregoing; (iii) reimbursement to the appropriate fund of the County for prior expenditures for the (collectively, the "Projects"), if applicable; and (iv) payment of costs incident to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery November 30, 2018. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2019. 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 available revenues paid by the Commission and direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2025 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2024 in whole or in part at any time at a redemption price of par plus accrued interest.

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

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

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

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 2038 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

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

Maturity	Redemption Date	Principal Amount of Bonds Redeemed
June 1, 2038	June 1, 2032	$470,000
	June 1, 2033	$490,000
	June 1, 2034	$505,000
	June 1, 2035	$525,000
	June 1, 2036	$540,000
	June 1, 2037	$560,000
	June 1, 2038*	$580,000

*Final Maturity

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

NOTICE OF REDEMPTION

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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 S&P 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. 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 deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the Loudon County 2018 Jail Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the County Mayor to be kept separate and apart from all other funds of the County. The County shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Financial Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the County for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be invested in such investments as shall be permitted by applicable law.

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

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

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For 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. Bass, Berry & Sims PLC, Nashville, 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 treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

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

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

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

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

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

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

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

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

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

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

State Taxes

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

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

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

The rating reflects only the views of Moody's and any explanation of the significance of such ratings should be obtained from Moody's.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on November 5, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated October 24, 2018.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $8,036,421.42 (consisting of the par amount of the Bonds, plus an original issue premium of $79,177.50 and less an underwriter's discount of $52,756.08) or 100.329855% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

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

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

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

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

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

ADDITIONAL DEBT

The County has ongoing needs that may or may not require the issuance of additional debt.

DEBT LIMITATIONS

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

DEBT RECORD

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

CONTINUING DISCLOSURE

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

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

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-9;

2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-10 and B-11;

3. Information about the Bonded Debt Service Requirements – General Debt Service Fund as of the end of such fiscal year as show on page B-12;

4. Information about the Bonded Debt Service Requirements – Rural School Debt Service Fund as of the end of such fiscal year as show on page B-13;

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

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

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

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

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

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

Reporting of Significant Events. The County will file notice regarding significant 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 Rule 15c2-12 at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

In the event of any amendment or waiver of a provision of the Coutinuing 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 Coutinuing 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 Coutinuing Disclosure Certificate. A default under the Coutinuing Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Coutinuing Disclosure Certificate in the event of any failure of the County to comply with the Coutinuing 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/ Rollen "Buddy" Bradshaw
County Mayor

ATTEST:

/s/ Carrie McKelvey
County Clerk

APPENDIX A

FORM OF LEGAL OPINION

(Form of Opinion of Bond Counsel)

Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, Tennessee 37201

November 30. 2018

Board of County Commissioners
of Loudon County, Tennessee
Loudon, Tennessee

FTN Financial Capital Markets
Memphis, Tennessee

We have acted as bond counsel to Loudon County, Tennessee (the "Issuer") in connection with the issuance of $8,010,000 General Obligation Bonds, Series 2018, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

2. The resolutions of the Board of County Commissioners of the Issuer authorizing the Bonds have been duly and lawfully adopted, are in full force and effect and are valid and binding agreements of the Issuer enforceable in accordance with their terms.

3. The Bonds constitute general obligations of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer.

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

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

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

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

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

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

Yours truly,

Bass, Berry & Sims PLC

APPENDIX B

LOUDON COUNTY, TENNESSEE

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Loudon County (the "County") is located in the Tennessee River Valley in the southeastern portion of the state. To the north, the County is bordered by Knox County and, to the east, by Blount County. Monroe and McMinn Counties make up the County's southern border, and to the west, the County is bordered by Roane County. The Town of Loudon serves as the county seat and is located approximately 31 miles southwest of Knoxville. Other incorporated municipalities within the County are Greenback, Lenoir City and Philadelphia.

GENERAL

The land area of Loudon County is approximately 229 square miles or 153,600 acres. The City is the trading center for a considerable area lying south of the Tennessee River from which comes beef, sheep, dairy products, tobacco, grains and fruits.

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

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. According to the 2010 US Census, Loudon County has a population of 48,556. The Town of Loudon had a US Census population of 5,381, and the City of Lenoir City is the largest city in the County with a 2010 Census population of 8,642.

TRANSPORTATION

Interstate Highways 75 and 40 traverse the County, as well as U.S. Highways 11 and 70 and State Highways 72, 95 and 321. Seven motor freight companies serve the County, and rail service is provided by the CSX and Norfolk-Southern Railroads. In addition, residents of the County have access to the full commercial and freight air services at McGhee Tyson Airport operated by the Metropolitan Knoxville Airport Authority and approximately 30 minutes away.

The Town of Loudon and the City of Lenoir City serve as port facilities on the Tennessee River. Fort Loudon Dam and hydroelectric station are seven miles upstream from Lenoir City. The Tellico Dam, another TVA project, lies approximately six miles from the Town of Loudon on the Little Tennessee River. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile inland waterway system. This system formed largely by the

Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south. The River borders Knox, Blount, Roane, Loudon, Meigs, Rhea, Marion, Hamilton, Hardin, Wayne, Decatur, Perry, Benton, Humphreys, Henry, Houston and Stewart Counties in the state.

EDUCATION

Lenoir City has a school system within the County with three schools. The *Lenoir City School System* has one high school, one middle school and one elementary school with a fall 2016 enrollment of 2,341 with 150 teachers. The *Loudon County School System* serves the County with nine schools, including five elementary schools, two middle schools, one senior high school and one K-12 school. The fall 2016 enrollment was 4,858 with 328 teachers. All of the County schools are fully accredited by the Southeastern Association of Colleges and Schools, with an average of over 50% of the teachers in the system possessing a Masters degree or higher.

Source: Tennessee Department of Education.

Roane State Community College Lenoir City Campus. Roane State Community College, which began operation in 1971 in Harriman, Roane County, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2017 enrollment was about 5,636 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

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

Source: Roane State Community College.

The Tennessee Technology Center at Harriman. The Tennessee Technology Center at Harriman is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical 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 Harriman serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The Technology Center at Harriman began operations in 1970, and the main campus is located in Roane County. Fall 2015 enrollment was 502 students.

Source: Tennessee Technology Center at Harriman.

Nearby there are more opportunities for higher education. The University of Tennessee at Knoxville is the largest school in the UT system located in Knoxville. Pellissippi State Technical Community College is another option for a two year transfer school located in Knox and Blount Counties.

HEALTHCARE

There are many hospitals within the MSA area available to the County. There are nine acute care hospitals in nearby Knox County alone, including two healthcare systems (Covenant Health Care and Tennova Healthcare). The County has one hospital located in Lenoir City.

Fort Loudoun Medical Center. Fort Loudoun Medical Center is a 50-bed, $29 million, 87,000-square-foot hospital that opened in Lenoir City in November 2004. Fort Loudoun Medical Center is a full-service hospital that has bedside charting technology, a four-bed critical care unit, and a 12-suite Emergency Department with a designated fast track for less serious emergencies. Fort Loudon Medical Center is one of nearly 30-member organizations of Covenant Health, which includes acute care facilities, outpatient clinics, specialty and home care, and other services.

Covenant Health, headquartered in nearby Knoxville, has nine acute-care hospitals plus inpatient and outpatient cancer care, behavioral and rehabilitation centers, home health, outpatient surgery and diagnostic centers, physician offices and more. More than 10,000 people are employed by Covenant Health and its member organizations, with nearly 1,500 affiliated physicians. Covenant Health is a comprehensive health system established in 1996.

Source: Covenant Health and Fort Loudoun Medical Center.

POWER PRODUCTION

Fort Loudoun Dam. Tennessee Valley Authority's ("TVA") Fort Loudoun Dam is located in Lenoir City near on the Tennessee River. Construction of Fort Loudoun Dam began in 1940 and was completed in 1943. Fort Loudoun Dam is 122 feet high and stretches 4,190 feet across the Tennessee River. The generating capacity of Fort Loudoun's four units is 155,600 kilowatts of electricity. The 60- by 360-foot Fort Loudoun lock raises and lowers river craft about 70 feet between the Reservoir and Watts Bar Reservoir. Barges passing through the Fort Loudoun lock carry half a million tons of cargo a year. Fort Loudoun Reservoir travels up river from Loudon County to Blount and Knox Counties.

Source: Tennessee Valley Authority.

Melton Hill Dam. Tennessee Valley Authority's ("TVA") Melton Hill Dam is located in Loudon County on the Clinch River. Construction of Melton Hill Dam began in 1960 and was completed in 1963. The Dam is 103 feet high and stretches 1,020 feet across the Clinch River. The generating capacity of Melton Hill is 72,000 kilowatts of electricity. Melton Hill is the only TVA dam on a tributary stream with a navigation lock. The navigation lock at Melton Hill has a 75- by 400-foot chamber and a maximum lift of 60 feet. Melton Hill Reservoir extends almost 57 miles upstream from Melton Hill Dam to Norris Dam along the county lines of Loudon, Roane, Knox and Anderson Counties.

Source: Tennessee Valley Authority.

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

Reservoir stretches 33 miles into the mountains of east Tennessee through Loudon and Monroe Counties.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

Much of the new industry in the area has chosen to do business in Loudon County due to the County's excellent location on the Tennessee River and within a day's drive of 75% of the nation's population. More than 16,000 workers are available within 45 minutes of the County's industrial areas.

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

Major Employers in Loudon County

Company	Product	Employment
Kimberly-Clark Corporation	Paper Mill	630
Loudon County Schools	Education	574
Monterey Mushrooms	Mushrooms	570
Malibu Boats	Boat Manufacturer	540
Crete Carrier Corp.	Transportation	450
Loudon County	Government	347
HT Hackney Co.	Distribution	340
Maremont	Mufflers	315
Purdy Brothers Trucking Co.	Trucking	262
Tate & Lyle/ A.E. Staley Mfg.	Syrup, Alcohol, Grain Pellets	251
Viskase Corporation	Cellulose	244
Astec Underground	Trenchers/Drilling Equipment	244
Hubbell Lenoir City	Concrete Polymer Products	234
American Honda	Distribution	198
Wampler’s Farm Sausage	Meat Processing	168
CVS	Pharmaceutical Distributions	148
Family Brands	Meat Processing	141
Transport Service Co.	Trucking	101
Aleris International	Aluminum	87
Value Line Textiles	Hosiery	84
Adroit Medical Systems	Elastomers	79
Continental Carbonic	Dry Ice	75

Source: Tennessee and Loudon County Economic Development Agency and Knoxville News Sentinel - 2018.

The County has eight established business and industrial parks with full utilities available: Matlock Bend Industrial Park with 450 acres, Sugarlimb Industrial Park with 400 acres, Blair Bend with 385 acres, Highlands Business Park with 363 acres, Huntington Business Park with 200 acres, Centre Seventy-Five Business Park with 284 acres, Fort Loudon (Car Works Site) at 100 acres, and Spring Cress Business Park with 92 acres. All sites sit adjacent to Highway 11 and just 2.5 miles from I-75, and all have access to the Norfolk-Southern Railroad.

Tellico Regional Business Park. Located in Loudon County, Tennessee, Tellico Regional Business Park was completed in 2008 and feature available Greenfield sites ranging from 5 acres to 100 acres. Utilities are located at the property line and include 6" gas, 8" water, and 8" force main sewer. The development has a planned airpark with runway.

EMPLOYMENT INFORMATION

For the month of July 2018, the unemployment rate for Loudon County stood at 3.9% with 22,170 persons employed out of a labor force of 23,080.

The Knoxville MSA's unemployment for July 2018 was at 3.8% with 411,870 persons employed out of a labor force of 428,210. As of July 2018, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 3.8%, representing 530,840 persons employed out of a workforce of 551,890.

Unemployment

	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**	Annual Average **2017**
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	8.2%	6.7%	5.8%	4.8%	3.7%
Loudon County	**7.8%**	**6.7%**	**5.6%**	**4.7%**	**3.6%**
Index vs. National	105	108	106	96	82
Index vs. State	100	102	100	100	97
Knoxville MSA	**7.2%**	**6.1%**	**5.2%**	**4.4%**	**3.5%**
Index vs. National	97	98	98	90	80
Index vs. State	92	92	93	94	95
Knoxville-Sevierville-Harriman CSA	**7.6%**	**6.4%**	**5.5%**	**4.6%**	**3.7%**
Index vs. National	103	103	104	94	84
Index vs. State	97	97	98	98	100

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

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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
Loudon County	**$40,421**	**$40,102**	**$41,231**	**$42,882**	**$43,868**
Index vs. National	91	90	89	89	89
Index vs. State	104	103	103	102	101
Knoxville MSA	**$37,991**	**$37,756**	**$39,115**	**$40,921**	**$42,102**
Index vs. National	86	85	84	84	85
Index vs. State	98	97	97	97	97
Knoxville-Sevierville-Harriman CSA	**$36,337**	**$36,273**	**$37,533**	**$39,260**	**$40,417**
Index vs. National	82	82	81	81	82
Index vs. State	94	93	94	93	93

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

Social and Economic Characteristics

	National	Tennessee	Loudon County	Lenoir City
Median Value Owner Occupied Housing	$184,700	$146,000	$185,900	$112,800
% High School Graduates or Higher Persons 25 Years Old and Older	87.0%	86.0%	85.3%	73.0%
% Persons with Income Below Poverty Level	12.7%	15.8%	10.6%	26.4%
Median Household Income	$55,322	$46,574	$52,995	$36,646

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

RECREATION

Fort Loudoun Reservoir. Tennessee Valley Authority's ("TVA") Fort Loudoun Dam is located in Lenoir City near on the Tennessee River. Fort Loudoun Reservoir travels up river from Loudon County to Blount and Knox Counties. It is the uppermost in the chain of nine TVA reservoirs that form a continuous navigable channel along the entire Tennessee River from Knoxville to Paducah, Kentucky, 652 miles away. The reservoir is known for its bass fishing, boating, and bird watching. Fort Loudoun is also connected by a short canal to Tellico Reservoir on the nearby Little Tennessee River. Water is diverted through the canal to Fort Loudoun for power production.

Melton Hill Reservoir. Tennessee Valley Authority's ("TVA") Melton Hill Dam is located in Loudon County on the Clinch River. Melton Hill Reservoir extends almost 57 miles upstream from Melton Hill Dam to Norris Dam along the county lines of Loudon, Roane, Knox and Anderson Counties. Unlike other TVA reservoirs, Melton Hill is not used for flood control. But because it's used for power production, the level of the water in the reservoir fluctuates about four feet throughout the year. Melton Hill Reservoir has a nationally recognized rowing course and is a spring training site for collegiate teams from throughout the eastern United States. Melton Hill Reservoir extends up the Clinch River to Clinton, Tennessee.

Tellico Reservoir. Tennessee Valley Authority's ("TVA") Tellico Dam is located in Lenoir City on the Little Tennessee River very close to the Fort Loudoun Dam. Tellico Reservoir stretches 33 miles into the mountains of east Tennessee through Loudon and Monroe Counties. Tellico Reservoir was planned as an extension of nearby Fort Loudoun Reservoir. Tellico Dam serves to divert water through a short canal into Fort Loudoun, linking the two reservoirs in their joint functions of flood control, power production, and improved navigation. They help regulate flooding downstream, especially at Chattanooga. The canal also allows barges to enter the Little Tennessee River without a lock, thus significantly increasing commercial barge operations in the Valley.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

Bussell Island Distillery and Brewery Company. In 2018, the Bussell Island Distillery and Brewery Company began renovation on the old Lenoir City Utilities Board building in downtown Lenoir City. The facility will be a restaurant, distillery and brewery with a tasting room and should open in 2019

Ceramica Del Conca. The Italian manufacture of ceramic tile, Del Conca, began construction on a new $70 million, 320,000-square foot facility in the Sugar Limb Industrial Park. The facility was completed in 2014 and resulted in 178 new jobs.

Lenoir City Utility Board (the "LCUB"). In early 2018 LCUB finished construction on a new 180,000 square foot operations facility that will serve as the new corporate headquarters. It hosts a state-of-the-art operation and dispatch center, a customer service center, a data center with biometric security and other Tier III design features. The new facility also has a 110,000-square foot warehouse with a bar coding inventory control system and 62 truck bays that will allow all electric, gas, water and wastewater service trucks to be preloaded before each shift begins. The new facility has as two independent electrical circuits with generator back-ups, and can withstand a seismic earthquake.

Morgan Olson LLC. Morgan Olson, maker of delivery vans, opened a new $10 million 300,000 square-foot facility in Loudon in 2016. The new facility created 400 jobs initially and is expected 500 or more over the next few years.

Seco Tools. Due to declining demand, the manufacturer of standard tools, Seco Tools, was closed in early 2013 resulting in 74 workers being let go.

Yale Lock Company. In March of 2013 the Yale Lock Company closed its plant in Lenoir City. The 60-year-old manufacturing facility let go 246 employees. The operations were moved to their plant in Connecticut.

Source: Knoxville News Sentential and the County.

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LOUDON COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)		As of June 30, 2018 (1) OUTSTANDING
$ 14,835,000	(3)	Loan Agreement, Series E-3-C (Rural School and G.O.)	June 2025	Synthetic Fixed / Variable	(2)	$ 7,350,000
400,000		Capital Outlay Notes, Series 2013	Feb. 2023	Fixed		215,000
2,600,000		General Obligation Refunding Bonds, Series 2014A	April 2020	Fixed		1,105,000
9,675,000		General Obligation Bonds, Series 2017 (Issued 10-31-2017)	June 2037	Fixed		9,675,000
4,129,500		Qualified Zone Academy Bonds, Series 2005 (Rural School)	Dec. 2020	Fixed		827,400
9,995,000		Rural School Bonds, Series 2011	June 2036	Fixed		9,250,000
23,500,000		Rural School Bonds, Series 2012	June 2036	Fixed		19,025,000
8,850,000		Rural School Bonds, Series 2013A	June 2023	Fixed		4,400,000
9,845,000		Rural School Bonds, Series 2014B	June 2039	Fixed		8,655,000
$ 83,829,500		**TOTAL BONDED DEBT**				$ 60,502,400
$ 8,010,000		General Obligation Bonds, Series 2018	June 2038	Fixed		8,010,000
$ 91,839,500		**NET BONDED DEBT**				$ 68,512,400

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Additionally, does not include any debt currently estimated to be outstanding in the amount $2,722,258 backed by the County and issued for the benefit of the Tellico Area Service System ("TASS"), a self-supporting water system for residential and commercial properties located in Monroe and Loudon Counties.

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

(3) The Series E-3-C Loan Agreement has $6,825,000 supported by a Rural School pledge and $525,000 supported by the County's General Obligation Pledge.

LOUDON COUNTY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements.

	For Fiscal Year Ended June 30				Unaudited	After Issuance
INDEBTEDNESS	**2014**	**2015**	**2016**	**2017**	**2018**	**2018**
TAX SUPPORTED						
General Obligation Bonds & Notes	$ 7,770,000	$ 6,393,000	$ 4,262,000	$ 3,073,000	$ 11,520,000	$ 19,530,000
Rural School Bonds & Notes *	51,747,400	58,852,400	55,657,400	52,382,400	48,982,400	48,982,400
TOTAL TAX SUPPORTED	$ 59,517,400	$ 65,245,400	$ 59,919,400	$ 55,455,400	$ 60,502,400	$ 68,512,400
TOTAL DEBT	$ 59,517,400	$ 65,245,400	$ 59,919,400	$ 55,455,400	$ 60,502,400	$ 68,512,400
Less: Debt Service Fund	(10,386,595)	(10,596,122)	(10,681,641)	(10,432,517)	(10,432,517)	(10,432,517)
NET DIRECT DEBT	$ 49,130,805	$ 54,649,278	$ 49,237,759	$ 45,022,883	$ 50,069,883	$ 58,079,883
PROPERTY TAX BASE						
Estimated Actual Value	$ 6,122,897,484	$ 6,179,280,430	$ 6,433,528,165	$ 6,576,820,783	$ 6,502,020,519	$ 6,502,020,519
Appraised Value	6,122,897,484	6,179,280,430	6,272,689,961	6,412,400,263	6,502,020,519	6,502,020,519
Assessed Value	1,678,260,093	1,694,622,051	1,722,128,731	1,760,118,871	1,770,502,792	1,770,502,792

Source: General Purpose Financial Statements and County Officials.

* Rural School Bonds are payable from ad valorem taxes lying outside of the City of Lenoir City, TN. Lenoir City, TN makes up approximately 14.7236% of the County's tax base based on assessed value.

	For Fiscal Year Ended June 30				Unaudited	After Issuance
DEBT RATIOS	**2014**	**2015**	**2016**	**2017**	**2018**	**2018**
TOTAL DEBT to Estimated Actual Value	0.97%	1.06%	0.93%	0.84%	0.93%	1.05%
TOTAL DEBT to Appraised Value	0.97%	1.06%	0.96%	0.86%	0.93%	1.05%
TOTAL DEBT to Assessed Value	3.55%	3.85%	3.48%	3.15%	3.42%	3.87%
NET DIRECT DEBT to Estimated Actual Value	2.93%	3.22%	2.86%	2.56%	2.83%	3.28%
NET DIRECT DEBT to Appraised Value	0.80%	0.88%	0.78%	0.70%	0.77%	0.89%
NET DIRECT DEBT to Assessed Value	2.93%	3.22%	2.86%	2.56%	2.83%	3.28%
PER CAPITA RATIOS						
POPULATION (1)	50,771	51,130	51,454	51,454	51,454	51,454
PER CAPITA PERSONAL INCOME (2)	$41,231	$42,882	$43,868	$43,868	$43,868	$43,868
Estimated Actual Value to POPULATION	120,598	120,854	125,035	127,819	126,366	126,366
Assessed Value to POPULATION	33,055	33,143	33,469	34,208	34,409	34,409
Total Debt to POPULATION	1,172	1,276	1,165	1,078	1,176	1,332
Net Direct Debt to POPULATION	968	1,069	957	875	973	1,129
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.84%	2.98%	2.65%	2.46%	2.68%	3.04%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.35%	2.49%	2.18%	1.99%	2.22%	2.57%

(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.

LOUDON COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION

F.Y. Ended 6/30	Existing Debt - General Obligation as of June 30, 2018 (1)			General Obligation Bonds, Series 2018			% 2018 Principal Repaid	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL		Principal	Interest (2)	TOTAL	
2019	$ 831,000	$ 325,420	$ 1,156,420	$ -	$ 134,594	$ 134,594	0.00%	$ 831,000	$ 460,013	$ 1,291,013	4.25%
2020	882,000	295,539	1,177,539	-	267,700	267,700		882,000	563,239	1,445,239	
2021	508,000	263,629	771,629	335,000	267,700	602,700		843,000	531,329	1,374,329	
2022	519,000	248,441	767,441	345,000	254,300	599,300		864,000	502,741	1,366,741	
2023	535,000	232,924	767,924	360,000	240,500	600,500	12.98%	895,000	473,424	1,368,424	22.09%
2024	505,000	216,928	721,928	370,000	229,700	599,700		875,000	446,628	1,321,628	
2025	515,000	206,828	721,828	380,000	218,600	598,600		895,000	425,428	1,320,428	
2026	525,000	196,528	721,528	395,000	207,200	602,200		920,000	403,728	1,323,728	
2027	535,000	186,028	721,028	405,000	195,350	600,350		940,000	381,378	1,321,378	
2028	545,000	175,328	720,328	420,000	183,200	603,200	37.58%	965,000	358,528	1,323,528	
2029	555,000	163,883	718,883	430,000	170,600	600,600		985,000	334,483	1,319,483	50.67%
2030	570,000	151,950	721,950	445,000	157,700	602,700		1,015,000	309,650	1,324,650	
2031	585,000	134,850	719,850	455,000	143,238	598,238		1,040,000	278,088	1,318,088	
2032	605,000	117,300	722,300	470,000	128,450	598,450		1,075,000	245,750	1,320,750	
2033	625,000	99,150	724,150	490,000	112,000	602,000	66.17%	1,115,000	211,150	1,326,150	
2034	640,000	80,400	720,400	505,000	94,850	599,850		1,145,000	175,250	1,320,250	78.26%
2035	660,000	61,200	721,200	525,000	77,175	602,175		1,185,000	138,375	1,323,375	
2036	680,000	41,400	721,400	540,000	58,800	598,800		1,220,000	100,200	1,320,200	
2037	700,000	21,000	721,000	560,000	39,900	599,900		1,260,000	60,900	1,320,900	
2038	-	-	-	580,000	20,300	600,300	100.00%	580,000	20,300	600,300	100.00%
	$ 11,520,000	$ 3,218,721	$ 14,738,721	$ 8,010,000	$ 3,201,856	$ 11,211,856		$ 19,530,000	$ 6,420,578	$ 25,950,578	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Additionally, does not include any debt currently estimated to be outstanding in the amount $2,722,258 backed by the County and issued for the benefit of the Tellico Area Service System ("TASS"), a self-supporting water system for residential and commercial properties located in Monroe and Loudon Counties.

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

(3) Interest Rates. Average Coupon 3.32%.

LOUDON COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - RURAL SCHOOL

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) Principal	Interest (2)	TOTAL	% All Principal Repaid
2019	$ 3,455,000	$ 1,592,100	$ 5,047,100	7.05%
2020	3,615,000	1,478,975	5,093,975	
2021	3,732,400	1,361,875	5,094,275	
2022	3,820,000	1,256,525	5,076,525	
2023	3,910,000	1,141,375	5,051,375	37.83%
2024	3,010,000	1,021,050	4,031,050	
2025	3,125,000	911,100	4,036,100	
2026	1,990,000	794,663	2,784,663	
2027	2,025,000	729,138	2,754,138	
2028	2,060,000	660,638	2,720,638	62.76%
2029	2,125,000	589,368	2,714,368	
2030	2,165,000	526,193	2,691,193	
2031	2,205,000	460,863	2,665,863	
2032	2,370,000	391,275	2,761,275	
2033	2,415,000	314,775	2,729,775	85.79%
2034	2,480,000	234,188	2,714,188	
2035	2,530,000	151,488	2,681,488	
2036	1,950,000	67,163	2,017,163	100.00%
	$ 48,982,400	$ 13,682,748	$ 62,665,148	

NOTES:

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

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

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES, 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	$ 7,386,132	$ 8,069,288	$ 7,332,558	$ 7,434,184	$ 7,211,683
Highway / Public Works	1,239,644	1,072,622	1,152,903	1,274,567	1,213,964
Education Debt Service[1]	7,416,248	8,748,166	8,929,155	8,905,731	8,584,130
Other Governmental	5,929,285	4,813,718	4,783,631	4,074,724	3,904,329
Total	**$21,971,309**	**$22,703,794**	**$22,198,247**	**$21,689,206**	**$20,914,106**

Source: Comprehensive Annual Financial Reports for the County.

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LOUDON 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	$ 9,454,691	$ 10,129,469	$ 9,671,906	$ 10,573,783	$ 11,191,085
Licenses and Permits	521,345	594,826	562,093	686,128	736,789
Fines and Forfeits	428,305	448,768	428,042	435,025	404,478
Charges for Current Services	77,534	81,643	77,435	76,250	87,328
Other Local Revenues	391,248	186,391	209,815	204,731	232,457
Fees Recv'd from County Officials	2,405,711	2,218,023	2,234,734	2,277,511	2,323,750
State of Tennessee	1,657,574	1,445,665	1,931,236	1,705,707	1,657,088
Federal Government	83,266	107,785	105,317	225,296	260,944
Other Governments & Citizens Groups	68,830	72,032	69,393	84,149	83,118
Total Revenues	$ 15,088,504	$ 15,284,602	$ 15,289,971	$ 16,268,580	$ 16,977,037
Expenditures and Other Uses:					
General Government	$ 2,900,308	$ 3,068,896	$ 2,994,920	$ 3,065,792	$ 3,293,973
Finance	1,997,158	2,137,515	2,199,914	2,285,025	2,337,640
Administration of Justice	1,693,292	1,681,000	1,717,094	1,870,129	1,917,882
Public Safety	6,385,416	6,932,385	6,911,387	7,251,799	7,655,759
Public Health & Welfare	760,088	736,835	700,089	677,876	704,558
Social, Cultural, & Recreational Services	200,578	205,907	202,150	242,895	261,766
Agricultural & Natural Resources	164,094	167,187	167,384	139,841	186,955
Other Operations	663,572	668,603	699,031	708,730	723,978
Debt Service	31,470	41,287	47,634	43,465	47,322
Capital Projects	-	-	-	-	-
Total Expenditures	$ 14,795,976	$ 15,639,615	$ 15,639,603	$ 16,285,552	$ 17,129,833
Excess of Revenues & Over (under) Expenditures	$ 292,528	$ (355,013)	$ (349,632)	$ (16,972)	$ (152,796)
Other Financing Sources (Uses):					
Debt Proceeds	$ -	$ -	$ -	$ -	$ 20,075
Insurance Recovery	6,165	38,169	12,902	18,598	66,443
Interfund Transfers - In	-	1,000,000	-	100,000	16,555
Interfund Transfers - Out	-	-	(400,000)	-	(172,778)
Total Other Financing Sources (Uses)	$ 6,165	$ 1,038,169	$ (387,098)	$ 118,598	$ (69,705)
Excess of Revenue & Other Sources over (Under) Expenditures & Other Sources	$ 298,693	$ 683,156	$ (736,730)	$ 101,626	$ (222,501)
Fund Balance July 1	$ 7,087,439	$ 7,386,132	$ 8,069,288	$ 7,332,558	$ 7,434,184
Prior Period Adjustment	-	-	-	-	-
Fund Balance June 30	**$ 7,386,132**	**$ 8,069,288**	**$ 7,332,558**	**$ 7,434,184**	**$ 7,211,683**

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report for Tennessee, property in the County reflected a ratio of appraised value to true market value of 0.975. The following table shows pertinent data for tax year 2017[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 36,393,823	55%	$ 83,375,415
Commercial and Industrial	300,864,780	40%	752,193,900
Personal Tangible Property	99,513,364	30%	331,710,904
Residential and Farm	1,333,730,825	25%	5,334,740,300
Total	**$1,770,502,792**		**$6,502,020,519**

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 -2018.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2018 (tax year 2017) is $1,770,502,792 compared to $1,760,118,871 for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is $6,502,020,519 compared to $6,576,820,783 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.

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	$1,678,260,093	$1.8987	$30,440,354	$30,007,611	98.6%	N/A	
2014	1,694,622,051	1.8587	30,101,047	29,499,026	98.0%	N/A	
2015	1,722,128,731	1.8587	31,412,444	31,052,204	98.9%	N/A	
2016	1,760,118,871	1.8587	31,310,641	31,167,194	99.5%	$143,447	0.5%
2017	1,770,502,792	1.8035	30,553,118	**IN PROCESS**			

1 The tax year coincides with the calendar year, therefore tax year 2017 is actually fiscal year 2017 -2018.

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	Assessment	Taxes Paid
1.	Tate & Lyle Ingredients	Syrup, Grain Pellets	$ 53,605,165	$ 894,059
2.	Kimberly Clark Corporation	Paper Mill	47,777,290	888,036
3.	DuPont Tate & Lyle	Synthetic Fibers	28,466,831	274,662
4.	Viskase Corporation	Cellulose	26,148,387	199,773
5.	American Honda Motor	Automotive Parts	9,353,960	173,862
6.	Astec Underground	Manufacturing	7,027,350	130,624
7.	Windriver	Land Developer	6,630,640	103,352
8.	The Cove at Creekwood	Housing	4,813,040	89,460
9.	Fort Loudon Electric	Electric	4,880,280	76,069
10.	State Retirement System	Retail	13,293,596	72,273
	TOTAL		**$201,996,539**	**$2,902,170**

Source: The County.

LOCAL OPTION SALES TAX

Fiscal Year	County	General Purpose School	LE Schools	Cities	Total
2013	$1,145,108	$3,181,782	$1,420,758	$3,623,901	$ 9,371,549
2014	914,001	3,205,125	1,660,198	3,908,755	9,688,079
2015	1,004,527	3,366,725	1,755,448	4,109,689	10,236,389
2016	1,077,402	3,625,440	1,899,243	4,450,406	11,052,491
2017	993,810	3,991,541	2,018,779	4,968,000	11,972,130

Source: The County.

PENSION PLANS

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

LOUDON 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 Loudon County for the fiscal year ended June 30, 2017 which is available upon request from the County.

ANNUAL FINANCIAL REPORT

LOUDON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2017

TENNESSEE COMPTROLLER OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

LOUDON 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

MARK TREECE, CPA, CGFM
Audit Manager

AMY SOSVILLE, CPA
Auditor 4

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

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

LOADON COUNTY, TENNESSEE
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Summary of Audit Findings

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

Scope

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

Results

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

Our audit resulted in no findings.

INTRODUCTORY SECTION

Loudon County Officials
June 30, 2017

Officials

Rollen Bradshaw, County Mayor
Eddie Simpson, Highway Superintendent
Jason Vance, Director of Schools
George Miller, II, Trustee
Michael Campbell, Assessor of Property
Darlene Russell, County Clerk
Lisa Niles, Circuit, General Sessions, and Juvenile Courts Clerk
Fred Chaney, Clerk and Master
Tracie Littleton, Register of Deeds
Tim Guider, Sheriff
Tracy Blair, Director of Accounts and Budgets
Susan Huskey, Purchasing Agent

Board of County Commissioners

Stephen Harrelson, Chairman
Harold Duff
Leo Bradshaw
Matthew Tinker
Bill Satterfield
Earlena Maples
David Meers
Van Shaver
Kelly Littleton-Brewster
Henry Cullen

Board of Education

Leroy Tate, Chairman
William Jenkins, Vice-Chairman
Scott Newman
Bobby Johnson, Jr.
Kenny Ridings
Brian Brown
Craig Simon
Philip Moffett
Ric Best
Gary Ubben

Audit Committee

Matthew Tinker, Chairman
Van Shaver
Stephen Harrelson
Charlie Bettis

Financial Section

Justin P. Wilson
Comptroller

Jason E. Mumpower
Chief of Staff

Independent Auditor's Report

Loudon County Mayor and
Board of County Commissioners
Loudon 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 Loudon 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.

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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 Loudon County, Tennessee, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Highway/Public Works Fund 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, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans on pages 91-98 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 Loudon County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, combining and individual fund financial statements of the Loudon 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 Education Debt Service Fund, combining and individual fund financial statements of the Loudon County School Department (a discretely presented component unit), miscellaneous schedules, and schedule 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 Education Debt Service Fund, combining and individual fund financial statements of the Loudon 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 January 12, 2018, on our consideration of Loudon 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 Loudon 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 Loudon County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 12, 2018

JPW/kp

Basic Financial Statements

Exhibit A

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

	Primary Government	Component Unit
	Governmental Activities	Loudon County School Department
ASSETS		
Cash	$ 6,270	$ 19,240
Equity in Pooled Cash and Investments	19,181,090	10,377,727
Accounts Receivable	206,441	101,199
Due from Other Governments	2,290,325	1,214,942
Property Taxes Receivable	16,760,879	11,028,100
Allowance for Uncollectible Property Taxes	(371,951)	(245,543)
Prepaid Items	639,979	668,295
Net Pension Asset - Teacher Retirement Plan	0	47,381
Capital Assets:		
Assets Not Depreciated:		
Land	5,915,130	3,946,406
Construction in Progress	75,100	9,303,935
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	10,913,981	67,817,990
Other Capital Assets	2,567,172	869,270
Infrastructure	24,120,134	93,204
Total Assets	$ 82,304,550	$ 105,242,146
DEFERRED OUTFLOWS OF RESOURCES		
Pension Changes in Experience	$ 50,493	$ 149,657
Net Pension Changes in Investment Earnings	972,253	3,729,770
Pension Contributions after Measurement Date	957,113	1,981,768
Pension Other Deferrals	0	195,584
Accumulated Decrease in Fair Value of Hedging Derivatives	552,154	0
Deferred Charges on Refunding	69,481	0
Total Deferred Outflows of Resources	$ 2,601,494	$ 6,056,779
LIABILITIES		
Accounts Payable	$ 301,648	$ 326,964
Accrued Payroll	147,625	2,349
Accrued Interest Payable	125,252	0
Payroll Deductions Payable	125,426	1,177,463
Contracts Payable	0	466,882
Retainage Payable	0	19,348
Due to State of Tennessee	8,587	0
Due to Litigants, Heirs, and Others	19,136	0
Derivative - Interest Rate Swap	552,154	0
Other Current Liabilities	35,115	15,493
Noncurrent Liabilities:		
Due Within One Year	5,092,146	0
Due in More Than One Year	60,297,619	4,491,458
Total Liabilities	$ 66,704,708	$ 6,499,957

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Loudon County School Department
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Property Taxes	$ 15,863,660	$ 10,434,544
Deferred Grants Received in Advance	19,100	0
Pension Changes in Experience	493,074	3,847,754
Pension Other Deferrals	0	3,545
Total Deferred Inflows of Resources	$ 16,375,834	$ 14,285,843
NET POSITION		
Net Investment in Capital Assets	$ 40,338,168	$ 82,030,805
Restricted for:		
General Government	29,700	0
Finance	34,033	0
Administration of Justice	465,278	0
Public Safety	615,881	0
Public Health and Welfare	8,864	0
Social, Cultural, and Recreational	156,166	0
Highways	1,344,774	0
Education	0	235,511
Pensions	0	47,381
Debt Service	1,831,367	0
Capital Projects	917,717	2,316,811
Unrestricted	(43,916,446)	5,882,617
Total Net Position	$ 1,825,502	$ 90,513,125

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

Exhibit B

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

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 Loudon County School Department
Primary Government:						
Governmental Activities:						
General Government	$ 4,286,741	$ 1,045,266	$ 79,753	$ 0	$ (3,161,722)	$ 0
Finance	2,401,063	1,379,294	0	0	(1,021,769)	0
Administration of Justice	2,010,810	1,049,812	10,500	0	(950,498)	0
Public Safety	8,321,435	381,679	166,161	89,999	(7,683,596)	0
Public Health and Welfare	1,822,108	210,812	367,608	163,812	(1,079,876)	0
Social, Cultural, and Recreational Services	584,346	12,340	136,803	0	(435,203)	0
Agriculture and Natural Resources	186,955	0	0	0	(186,955)	0
Highways	3,753,398	15,497	1,748,431	239,034	(1,750,436)	0
Education	92,152	0	0	0	(92,152)	
Interest on Long-term Debt	1,935,742	0	227,268	0	(1,708,474)	0
Total Primary Government	$ 25,394,750	$ 4,094,700	$ 2,736,524	$ 492,845	$ (18,070,681)	$ 0
Component Unit:						
Loudon County School Department	$ 43,397,078	$ 492,175	$ 5,231,684	$ 57,361	$ 0	$ (37,615,858)
Total Component Unit	$ 43,397,078	$ 492,175	$ 5,231,684	$ 57,361	$ 0	$ (37,615,858)

(Continued)

Exhibit B

Loudon County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Component Unit Loudon County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					$ 9,022,328	$ 10,632,748
Property Taxes Levied for Public Library					230,333	0
Property Taxes Levied for Highway/Public Works					588,243	0
Property Taxes Levied for General Debt Service					1,222,570	0
Property Taxes Levied for Education Debt Service					4,601,150	0
Property Taxes Levied for Capital Projects					177,185	0
Property Taxes Levied for Highway Capital Projects					304,755	0
Sales Taxes					998,230	4,006,391
Hotel/Motel Tax					442,375	0
Business Tax					651,757	0
Litigation Tax					480,140	0
Mineral Severence Tax					77,273	0
Adequate Facilities/Development Tax					0	726,728
Other Local Taxes					110,051	0
Bank Excise Tax					32,386	0
Mixed Drink Tax					21,815	0
Grants and Contributions Not Restricted to Specific Programs					1,347,048	22,560,769
Unrestricted Investment Income					264,274	42,113
Miscellaneous					234,058	81,217
Revenue from Joint Ventures					31,147	0
Total General Revenues					$ 20,837,118	$ 38,049,966
Change in Net Position					$ 2,766,437	$ 434,108
Net Position, July 1, 2016					(940,935)	90,079,017
Net Position, June 30, 2017					$ 1,825,502	$ 90,513,125

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

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 970	$ 500	$ 0	$ 4,800	$ 6,270
Equity in Pooled Cash and Investments	5,856,328	927,795	8,575,165	3,821,802	19,181,090
Accounts Receivable	134,809	0	0	71,632	206,441
Due from Other Governments	1,850,054	326,958	0	113,313	2,290,325
Due from Other Funds	7,176	0	0	0	7,176
Property Taxes Receivable	9,377,177	610,435	4,765,449	2,007,818	16,760,879
Allowance for Uncollectible Property Taxes	(208,785)	(13,592)	(104,869)	(44,705)	(371,951)
Prepaid Items	485,027	149,667	0	5,285	639,979
Total Assets	$ 17,502,756	$ 2,001,763	$ 13,235,745	$ 5,979,945	$ 38,720,209
LIABILITIES					
Accounts Payable	$ 259,251	$ 16,012	$ 0	$ 26,385	$ 301,648
Accrued Payroll	123,193	15,303	0	9,129	147,625
Payroll Deductions Payable	110,836	8,773	0	5,817	125,426
Due to Other Funds	0	0	0	7,176	7,176
Due to State of Tennessee	8,587	0	0	0	8,587
Due to Litigants, Heirs, and Others	0	0	0	19,136	19,136
Other Current Liabilities	35,115	0	0	0	35,115
Total Liabilities	$ 536,982	$ 40,088	$ 0	$ 67,643	$ 644,713
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 8,872,477	$ 577,580	$ 4,513,850	$ 1,899,753	$ 15,863,660
Deferred Delinquent Property Taxes	272,042	17,709	137,765	58,248	485,764

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES (Cont.)					
Deferred Grants Received in Advance	$ 16,100	$ 0	$ 0	$ 3,000	$ 19,100
Other Deferred/Unavailable Revenue	593,472	152,422	0	46,972	792,866
Total Deferred Inflows of Resources	$ 9,754,091	$ 747,711	$ 4,651,615	$ 2,007,973	$ 17,161,390
FUND BALANCES					
Nonspendable:					
Prepaid Items	$ 485,027	$ 149,667	$ 0	$ 5,285	$ 639,979
Restricted:					
Restricted for General Government	29,700	0	0	0	29,700
Restricted for Finance	34,033	0	0	0	34,033
Restricted for Administration of Justice	447,562	0	0	17,716	465,278
Restricted for Public Safety	66,982	0	0	548,567	615,549
Restricted for Public Health and Welfare	8,400	0	0	0	8,400
Restricted for Social, Cultural, and Recreational Services	0	0	0	144,743	144,743
Restricted for Highways/Public Works	0	1,064,297	0	0	1,064,297
Restricted for Debt Service	0	0	8,584,130	1,806,786	10,390,916
Restricted for Capital Projects	0	0	0	912,383	912,383
Committed:					
Committed for Public Health and Welfare	22,293	0	0	358,451	380,744
Committed for Other Operations	0	0	0	68,797	68,797
Committed for Debt Service	0	0	0	41,601	41,601
Assigned:					
Assigned for General Government	1,914,440	0	0	0	1,914,440
Assigned for Finance	6,500	0	0	0	6,500
Assigned for Administration of Justice	1,417	0	0	0	1,417

(Continued)

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES (Cont.)					
Assigned (Cont.):					
Assigned for Public Safety	$ 105,930	$ 0	$ 0	$ 0	$ 105,930
Unassigned	4,089,399	0	0	0	4,089,399
Total Fund Balances	$ 7,211,683	$ 1,213,964	$ 8,584,130	$ 3,904,329	$ 20,914,106
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 17,502,756	$ 2,001,763	$ 13,235,745	$ 5,979,945	$ 38,720,209

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

Exhibit C-2

Loudon 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)		$ 20,914,106
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 5,915,130	
Add: construction in progress	75,100	
Add: infrastructure net of accumulated depreciation	24,120,134	
Add: buildings and improvements net of accumulated depreciation	10,913,981	
Add: other capital assets net of accumulated depreciation	2,567,172	43,591,517
(2) Long-term liabilities, including other loans payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	$ (254,000)	
Less: bonds payable	(45,315,000)	
Less: other loans payable	(10,052,714)	
Add: deferred amount on refunding	69,481	
Less: unamortized portion of debt premiums	(1,669,811)	
Less: accrued interest on notes, bonds, and other loans	(125,252)	
Less: other postemployment benefits liability	(6,635,282)	
Less: compensated absences payable	(552,342)	
Less: net pension liability - agent plan	(910,616)	(65,445,536)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	1,979,859	
Less: deferred inflows of resources related to pensions	(493,074)	1,486,785
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		1,278,630
Net position of governmental activities (Exhibit A)		$ 1,825,502

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

Loudon 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	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 11,191,085	$ 659,065	$ 4,551,271	$ 2,568,296	$ 18,969,717
Licenses and Permits	736,789	0	0	0	736,789
Fines, Forfeitures, and Penalties	404,478	0	0	69,283	473,761
Charges for Current Services	87,328	0	0	17,282	104,610
Other Local Revenues	232,457	31,794	226,614	254,087	744,952
Fees Received From County Officials	2,323,750	0	0	0	2,323,750
State of Tennessee	1,657,088	1,758,130	0	67,139	3,482,357
Federal Government	260,944	14,000	0	169,174	444,118
Other Governments and Citizens Groups	83,118	0	0	271,506	354,624
Total Revenues	$ 16,977,037	$ 2,462,989	$ 4,777,885	$ 3,416,767	$ 27,634,678
Expenditures					
Current:					
General Government	$ 3,293,973	$ 0	$ 0	$ 0	$ 3,293,973
Finance	2,337,640	0	0	5,167	2,342,807
Administration of Justice	1,917,882	0	0	130	1,918,012
Public Safety	7,655,759	0	0	235,127	7,890,886
Public Health and Welfare	704,558	0	0	796,764	1,501,322
Social, Cultural, and Recreational Services	261,766	0	0	325,543	587,309
Agriculture and Natural Resources	186,955	0	0	0	186,955
Other Operations	723,978	0	0	26,957	750,935
Highways	0	2,400,975	0	0	2,400,975
Debt Service:					
Principal on Debt	47,322	0	3,275,300	1,189,000	4,511,622
Interest on Debt	0	0	1,732,034	91,245	1,823,279
Other Debt Service	0	0	92,152	254,383	346,535

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)					
Capital Projects	$ 0	$ 0	$ 0	$ 1,227,819	$ 1,227,819
Total Expenditures	$ 17,129,833	$ 2,400,975	$ 5,099,486	$ 4,152,135	$ 28,782,429
Excess (Deficiency) of Revenues Over Expenditures	$ (152,796)	$ 62,014	$ (321,601)	$ (735,368)	$ (1,147,751)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	$ 20,075	$ 0	$ 0	$ 286,133	$ 306,208
Insurance Recovery	66,443	0	0	0	66,443
Transfers In	16,555	0	0	295,395	311,950
Transfers Out	(172,778)	(122,617)	0	(16,555)	(311,950)
Total Other Financing Sources (Uses)	$ (69,705)	$ (122,617)	$ 0	$ 564,973	$ 372,651
Net Change in Fund Balances	$ (222,501)	$ (60,603)	$ (321,601)	$ (170,395)	$ (775,100)
Fund Balance, July 1, 2016	7,434,184	1,274,567	8,905,731	4,074,724	21,689,206
Fund Balance, June 30, 2017	$ 7,211,683	$ 1,213,964	$ 8,584,130	$ 3,904,329	$ 20,914,106

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

Exhibit C-4

Loudon 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)		$ (775,100)
(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	$ 997,645	
Less: current-year depreciation expense	(1,907,516)	(909,871)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Add: assets donated and capitalized	$ 309,791	
Less: book value of capital assets disposed	(229,927)	79,864
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2016	$ (1,138,193)	
Add: deferred delinquent property taxes and other deferred June 30, 2017	1,278,630	140,437
(4) The issuance of long-term debt (e.g., notes, other loans, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Add: principal payments on notes	$ 38,000	
Add: principal payments on other loans	1,698,622	
Add: principal payments on bonds	2,775,000	
Add: change in premium on debt issues	161,141	
Less: change in deferred charge on refunding	(28,409)	4,644,354
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 9,188	
Change in compensated absences payable	10,798	
Change in other postemployment benefits liability	(1,036,916)	
Change in net pension liability/asset	(505,758)	
Change in deferred outflows related to pensions	1,013,176	
Change in deferred inflows related to pensions	96,265	(413,247)
Change in net position of governmental activities (Exhibit B)		$ 2,766,437

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

Exhibit C-5

Loudon County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	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	$ 11,191,085	$ 0	$ 0	$ 11,191,085	$ 10,955,694	$ 11,004,590	$ 186,495
Licenses and Permits	736,789	0	0	736,789	590,500	717,000	19,789
Fines, Forfeitures, and Penalties	404,478	0	0	404,478	432,950	395,413	9,065
Charges for Current Services	87,328	0	0	87,328	86,400	87,000	328
Other Local Revenues	232,457	0	0	232,457	151,162	249,416	(16,959)
Fees Received From County Officials	2,323,750	0	0	2,323,750	2,176,250	2,327,730	(3,980)
State of Tennessee	1,657,088	0	0	1,657,088	1,527,287	1,588,021	69,067
Federal Government	260,944	0	0	260,944	86,244	153,750	107,194
Other Governments and Citizens Groups	83,118	0	0	83,118	33,000	61,412	21,706
Total Revenues	$ 16,977,037	$ 0	$ 0	$ 16,977,037	$ 16,039,487	$ 16,584,332	$ 392,705
Expenditures							
General Government							
County Commission	$ 246,651	$ (72,100)	$ 113,875	$ 288,426	$ 192,458	$ 293,241	$ 4,815
Board of Equalization	2,128	0	0	2,128	2,000	2,000	(128)
Beer Board	4,608	0	0	4,608	7,000	7,000	2,392
Other Boards and Committees	5,300	0	0	5,300	7,150	7,150	1,850
County Mayor/Executive	215,394	(260)	0	215,134	232,125	229,605	14,471
Personnel Office	33,509	(1,380)	0	32,129	42,943	42,911	10,782
County Attorney	204,982	(8,726)	0	196,256	155,000	238,000	41,744
Election Commission	328,283	(660)	0	327,623	358,076	360,323	32,700
Register of Deeds	295,145	(72)	0	295,073	293,615	302,716	7,643
Planning	101,636	(1,072)	0	100,564	107,383	108,175	7,611
Codes Compliance	219,913	(305)	0	219,608	242,463	246,160	26,552
Geographical Information Systems	63,753	0	0	63,753	60,071	65,587	1,834
County Buildings	1,277,281	(6,474)	0	1,270,807	1,287,671	1,308,747	37,940
Other General Administration	295,390	(1,000)	0	294,390	304,000	306,262	11,872
Finance							
Accounting and Budgeting	608,928	(5,029)	700	604,599	611,703	611,701	7,102
Purchasing	238,795	(3,483)	5,192	240,504	251,369	247,426	6,922

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Finance (Cont.)							
Property Assessor's Office	$ 466,840	$ (32,438)	$ 608	$ 435,010	$ 433,801	$ 469,469	$ 34,459
County Trustee's Office	340,530	(1,002)	0	339,528	338,915	354,281	14,753
County Clerk's Office	535,186	(4,441)	0	530,745	549,999	547,460	16,715
Data Processing	147,361	(50)	0	147,311	157,482	158,416	11,105
Administration of Justice							
Circuit Court	362,619	0	0	362,619	382,304	390,191	27,572
General Sessions Court	507,705	(1,700)	0	506,005	546,397	561,008	55,003
General Sessions Judge	456,123	(497)	0	455,626	466,173	472,312	16,686
Chancery Court	213,368	0	1,417	214,785	222,203	226,669	11,884
Juvenile Court	286,344	(840)	0	285,504	296,263	305,883	20,379
Judicial Commissioners	55,843	0	0	55,843	58,052	58,052	2,209
Other Administration of Justice	14,511	0	0	14,511	16,260	16,260	1,749
Courtroom Security	545	0	0	545	0	3,000	2,455
Victim Assistance Programs	20,824	0	0	20,824	20,000	24,000	3,176
Public Safety							
Sheriff's Department	4,371,127	(5,779)	20,970	4,386,318	4,407,290	4,540,160	153,842
Special Patrols	19,366	(81)	0	19,285	20,000	20,000	715
Traffic Control	6,091	0	0	6,091	1,500	10,500	4,409
Administration of the Sexual Offender Registry	0	0	0	0	3,750	3,750	3,750
Jail	2,181,231	(5,327)	5,799	2,181,703	2,014,760	2,260,459	78,756
Rural Fire Protection	231,279	(38,750)	30,000	222,529	212,500	222,529	0
Civil Defense	190,526	(9,818)	38,249	218,957	191,633	227,155	8,198
Other Emergency Management	29,987	(12,500)	10,912	28,399	16,000	44,500	16,101
County Coroner/Medical Examiner	84,652	(11,050)	0	73,602	69,000	69,000	(4,602)
Other Public Safety	541,500	0	0	541,500	541,500	541,500	0
Public Health and Welfare							
Local Health Center	53,036	(1,230)	0	51,806	91,598	91,925	40,119
Rabies and Animal Control	349,609	(1,897)	0	347,712	364,457	400,864	53,152
Maternal and Child Health Services	16,987	0	0	16,987	34,293	17,290	303

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Public Health and Welfare (Cont.)							
Other Local Health Services	$ 274,926	$ 0	$ 0	$ 274,926	$ 331,200	$ 331,200	$ 56,274
Other Public Health and Welfare	10,000	0	0	10,000	0	10,000	0
Social, Cultural, and Recreational Services							
Adult Activities	2,500	0	0	2,500	2,500	2,500	0
Senior Citizens Assistance	259,266	(1,963)	0	257,303	218,458	275,170	17,867
Agriculture and Natural Resources							
Agricultural Extension Service	161,985	(31,849)	0	130,136	155,355	155,355	25,219
Soil Conservation	17,510	0	0	17,510	19,783	19,783	2,273
Flood Control	4,000	(2,000)	0	2,000	2,000	2,000	0
Storm Water Management	3,460	0	0	3,460	4,000	4,000	540
Other Operations							
Tourism	135,264	(6,975)	0	128,289	125,000	143,400	15,111
Industrial Development	166,429	0	0	166,429	166,430	166,430	1
Housing and Urban Development	3,750	0	0	3,750	3,750	3,750	0
Veterans' Services	31,793	0	0	31,793	42,048	41,989	10,196
Contributions to Other Agencies	69,100	(3,000)	0	66,100	64,100	66,100	0
Employee Benefits	371	0	0	371	280,000	5,000	4,629
Miscellaneous	317,271	0	0	317,271	300,000	335,000	17,729
Principal on Debt							
General Government	47,322	0	0	47,322	43,465	47,322	0
Total Expenditures	$ 17,129,833	$ (273,748)	$ 227,722	$ 17,083,807	$ 17,369,246	$ 18,022,636	$ 938,829
Excess (Deficiency) of Revenues Over Expenditures	$ (152,796)	$ 273,748	$ (227,722)	$ (106,770)	$ (1,329,759)	$ (1,438,304)	$ 1,331,534
Other Financing Sources (Uses)							
Proceeds from Sale of Capital Assets	$ 20,075	$ 0	$ 0	$ 20,075	$ 0	$ 0	$ 20,075
Insurance Recovery	66,443	0	0	66,443	0	43,657	22,786
Transfers In	16,555	0	0	16,555	0	16,555	0

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses) (Cont.)							
Transfers Out	$ (172,778)	$ 0	$ 0	$ (172,778)	$ 0	$ (172,778)	$ 0
Total Other Financing Sources	$ (69,705)	$ 0	$ 0	$ (69,705)	$ 0	$ (112,566)	$ 42,861
Net Change in Fund Balance	$ (222,501)	$ 273,748	$ (227,722)	$ (176,475)	$ (1,329,759)	$ (1,550,870)	$ 1,374,395
Fund Balance, July 1, 2016	7,434,184	(273,748)	0	7,160,436	5,680,125	5,680,125	1,480,311
Fund Balance, June 30, 2017	$ 7,211,683	$ 0	$ (227,722)	$ 6,983,961	$ 4,350,366	$ 4,129,255	$ 2,854,706

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

Exhibit C-6

Loudon 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)	Less: Encumbrances 7/1/2016	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	$ 659,065	$ 0	$ 0	$ 659,065	$ 622,610	$ 622,610	$ 36,455
Other Local Revenues	31,794	0	0	31,794	32,077	39,592	(7,798)
State of Tennessee	1,758,130	0	0	1,758,130	2,332,829	2,230,552	(472,422)
Federal Government	14,000	0	0	14,000	0	636,000	(622,000)
Total Revenues	$ 2,462,989	$ 0	$ 0	$ 2,462,989	$ 2,987,516	$ 3,528,754	$ (1,065,765)
Expenditures							
Highways							
Administration	$ 786,904	$ 0	$ 0	$ 786,904	$ 808,398	$ 795,082	$ 8,178
Highway and Bridge Maintenance	726,491	(90,662)	0	635,829	384,000	725,275	89,446
Operation and Maintenance of Equipment	191,267	(3,500)	0	187,767	321,500	271,630	83,863
Other Charges	175,285	(441)	389	175,233	181,402	200,073	24,840
Employee Benefits	425,667	0	0	425,667	389,053	433,208	7,541
Capital Outlay	95,361	0	31,030	126,391	895,494	1,590,987	1,464,596
Total Expenditures	$ 2,400,975	$ (94,603)	$ 31,419	$ 2,337,791	$ 2,979,847	$ 4,016,255	$ 1,678,464
Excess (Deficiency) of Revenues Over Expenditures	$ 62,014	$ 94,603	$ (31,419)	$ 125,198	$ 7,669	$ (487,501)	$ 612,699
Other Financing Sources (Uses)							
Transfers Out	$ (122,617)	$ 0	$ 0	$ (122,617)	$ (88,016)	$ (128,016)	$ 5,399
Total Other Financing Sources	$ (122,617)	$ 0	$ 0	$ (122,617)	$ (88,016)	$ (128,016)	$ 5,399
Net Change in Fund Balance	$ (60,603)	$ 94,603	$ (31,419)	$ 2,581	$ (80,347)	$ (615,517)	$ 618,098
Fund Balance, July 1, 2016	1,274,567	(94,603)	0	1,179,964	1,122,257	1,122,257	57,707
Fund Balance, June 30, 2017	$ 1,213,964	$ 0	$ (31,419)	$ 1,182,545	$ 1,041,910	$ 506,740	$ 675,805

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

Exhibit D

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

	Agency Funds
ASSETS	
Cash	$ 508,086
Equity in Pooled Cash and Investments	3,520,595
Accounts Receivable	58,918
Due from Other Governments	1,221,854
Taxes Receivable	5,635,696
Allowance for Uncollectible Taxes	(125,479)
Total Assets	$ 10,819,670
LIABILITIES	
Accounts Payable	$ 47,821
Due to Other Taxing Units	6,850,017
Due to Litigants, Heirs, and Others	508,466
Due to Joint Ventures	3,413,366
Total Liabilities	$ 10,819,670

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

LOUDON COUNTY, TENNESSEE
Index of Notes to the Financial Statements

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Loudon 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 Loudon County:

A. Reporting Entity

Loudon County is a public municipal corporation governed by an elected ten-member board. As required by GAAP, these financial statements present Loudon County (the primary government) and its component units. The financial statements of the Loudon 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 Loudon County School Department operates the public school system in the county, and the voters of Loudon 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 Loudon County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Loudon County, and the Loudon 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 Loudon County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

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

Administrative Office:

Loudon County Emergency
Communications District
500 John Parris Drive
Loudon, TN 37774

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 Loudon 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 Loudon 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.

Loudon County issues all debt for the discretely presented Loudon County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2017.

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

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

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

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable adequate facilities taxes, 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.

The proprietary fund and 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.

Loudon 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.

Education Debt Service Fund – This fund accounts resources, accumulated and payments made for principal and interest on debt issued by Loudon County that is subsequently contributed to the discretely presented Loudon County School Department for construction and renovation projects.

Additionally, Loudon County reports the following fund types:

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

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 Loudon County, the city school system's share of educational revenues, and assets held in a custodial capacity for joint ventures. 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 Loudon 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.

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

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

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

Internal Service Fund – The Employee Dental and Vision Insurance Fund is used to account for the School Department's self-insured dental health and vision programs.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges for services. Operating expenses for the internal service fund consist of dental and vision claims.

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

1. Deposits and Investments

For purposes of the Statement of Cash Flows of the School Department's internal service fund (the Employee Dental and Vision Insurance Fund), cash includes demand deposits.

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 Loudon County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Income from these pooled investments is allocated to various funds based on their cash balances at the time the income is received. Loudon County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or as advances to/from other funds(i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.16 percent of total taxes levied.

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

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

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

Most payables are disaggregated on the face of the financial statements. Due to litigants, heirs, and others in the nonmajor governmental funds represents law enforcement seizures awaiting disposition.

Retainage payable represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

3. Prepaid Items

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

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

Assets	Years
Buildings and Improvements	40 - 65
Other Capital Assets	3 - 15
Infrastructure	30 - 50

5. Deferred Outflows/Inflows of Resources

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

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

6. **Compensated Absences**

It is the primary government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. School Department employees must use their vacation benefits within the year earned. There is no liability for unpaid accumulated sick leave since the primary government and the School Department do not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

7. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

8. Net Position and Fund Balance

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

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

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

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

As of June 30, 2017, Loudon County had $52,381,200 in outstanding debt for capital purposes for the discretely presented Loudon County School Department. This debt is a liability of Loudon County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Loudon 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 makes assignments for the general government. The Board of Education makes assignments for the School Department. Assigned fund balance in the General Fund consists of amounts assigned for encumbrances ($227,722) and fund balance appropriated for use in the 2017-2018 budget ($1,800,565). Assigned fund balance in the General Purpose School Fund consists of amounts assigned for encumbrances ($423,546) and fund balance appropriated for use in the 2017-2018 budget ($2,203,350).

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

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 Loudon County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Loudon 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 Loudon 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 Loudon 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 to 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 Loudon 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. 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 Loudon County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

At June 30, 2017, Loudon County reported the following significant encumbrances:

Fund	Description		Amount
Primary Government			
Nonmajor Fund:			
General Capital Projects	Engineering Services on Jail	$	926,900
Discretely Presented School Department			
Major Fund:			
Education Capital Projects	Various Renovation Projects	$	850,413

B. **Fund Deficit**

The School Federal Projects Fund of the discretely presented School Department had a deficit in unassigned fund balance of $3,599 at June 30, 2017. This deficit is expected to be liquidated upon the receipt of federal funds subsequent to year-end.

C. **Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the county commission in the Board of Equalization and County Coroner/Medical Examiner major appropriations categories (the legal level of control) of the General Fund by $128 and $4,602, respectively. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the General Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Loudon County and the Loudon 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, Loudon County had the following investments carried at fair value within the fair value hierarchy established by generally accepted accounting principles. Investments reported in the following table are held in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Loudon County and the discretely presented Loudon County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value
Investments at Fair Value:		
U.S. Treasury Bills	7/27/17	999,450
U.S. Treasury Notes	4/15/18	995,900
"	4/15/19	991,250
Total		$ 2,986,600

The measurements of the fair value of the U.S. Treasury Bills and Notes were made using quoted prices in active markets for identical assets (Level 1).

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. Loudon 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.

B. Derivative Instrument

At June 30, 2017, Loudon County had the following derivative instrument outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
$12.5M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 12,500,000	12-1-09	6-1-25	Pay 3.13% receive 59% of LIBOR plus 35 basis points

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2017, classified by type, and the changes in fair value using a pay fixed, receive percentage of LIBOR pricing model (Level 2 inputs of the GAAP fair value hierarchy) of such derivative instruments for the year then ended as reported in the 2017 financial statements is as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2017		6-30-17 Notional
	Classification	Amount	Classification	Amount	Amount
Governmental Activities					
Cash Flow Hedge:					
Pay fixed interest rate swaps:					
$12.5M Swap	Deferred Outflow	$ 397,038	Debt	$ (552,154)	$ 7,555,000
Total		$ 397,038		$ (552,154)	$ 7,555,000

Derivative Swap Agreement Detail

Under its loan agreement, the Public Building Authority of Blount County, Tennessee (the authority), at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-H-1.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its $12.5 million Series IV-H-1 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series IV-H-1 bonds have since been refunded with a portion of the proceeds of the Series E-3-C bonds, and the interest rate swap is now associated with the Series E-3-C bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.13 percent and receives a variable payment computed as 59 percent of the three-month London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap had a notional amount of $12.5 million, and the associated variable-rate bond had a $12.5 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series E-3-C Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2025. As of June 30, 2017, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.13 %
Variable payment from counterparty	% of LIBOR	-1.07
Net interest rate swap payments		2.06 %
Variable-rate bond coupon payments		1.41
Synthetic interest rate on bonds		3.47 %

Fair value. As of June 30, 2017, the swap had a negative fair value of $552,154. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2017, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "BBB" by Standard and Poor's as of June 30, 2017, with its Credit Support Provider, Deutsche Bank, rated Baa2/A-/A- by Moody's, Standard and Poor's, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should the rate on the bonds increase to above 59 percent of LIBOR plus 35 basis points, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 59 percent of LIBOR plus 35 basis points, then the synthetic rate on the bonds will decrease.

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

Swap payments and associated debt. As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Fiscal Year Ending June 30	Principal	Interest	Net Interest Rate Swap Payment	Total
2018	$ 765,000	$ 106,278	$ 155,475	$ 1,026,753
2019	810,000	95,516	139,732	1,045,248
2020	855,000	84,122	123,063	1,062,185
2021	910,000	72,095	105,468	1,087,563
2022	965,000	59,293	86,741	1,111,034
2023-2025	3,250,000	93,195	136,336	3,479,531
Total	$ 7,555,000	$ 510,499	$ 746,815	$ 8,812,314

C. 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	$ 5,915,130	$ 0	$ 0	$ 5,915,130
Construction in Progress	0	75,100	0	75,100
Total Capital Assets Not Depreciated	$ 5,915,130	$ 75,100	$ 0	$ 5,990,230
Capital Assets Depreciated:				
Buildings and Improvements	$ 14,853,726	$ 0	$ 0	$ 14,853,726
Infrastructure	48,877,149	219,792	0	49,096,941
Other Capital Assets	8,691,826	1,012,544	(521,281)	9,183,089
Total Capital Assets Depreciated	$ 72,422,701	$ 1,232,336	$ (521,281)	$ 73,133,756
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 3,685,188	$ 254,557	$ 0	$ 3,939,745
Infrastructure	23,989,578	987,229	0	24,976,807
Other Capital Assets	6,241,541	665,730	(291,354)	6,615,917
Total Accumulated Depreciation	$ 33,916,307	$ 1,907,516	$ (291,354)	$ 35,532,469
Total Capital Assets Depreciated, Net	$ 38,506,394	$ (675,180)	$ (229,927)	$ 37,601,287
Governmental Activities Capital Assets, Net	$ 44,421,524	$ (600,080)	$ (229,927)	$ 43,591,517

The above table does not include capital assets of a hospital facility titled to Loudon County but used in the operations of Fort Loudoun Medical Center. The construction of that facility was funded by Fort Loudoun Medical Center and, pursuant to an agreement with the county, the facility was titled to the county and leased to Fort Loudoun Medical Center. Those assets are used pursuant to a lease agreement by Fort Loudoun Medical Center for a nominal rental of $100 per year. The lease is further discussed in Note IV.G.

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

Governmental Activities:

General Government	$ 170,962
Finance	1,238
Administration of Justice	28,414
Public Safety	487,517
Public Health and Welfare	79,136
Social, Cultural, and Recreational Services	28,937
Highways/Public Works	1,111,312
Total Depreciation Expense - Governmental Activities	$ 1,907,516

Discretely Presented Loudon County School Department

Governmental Activities:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 3,946,406	$ 0	$ 0	$ 3,946,406
Construction in Progress	2,454,100	6,849,835	0	9,303,935
Total Capital Assets Not Depreciated	$ 6,400,506	$ 6,849,835	$ 0	$ 13,250,341
Capital Assets Depreciated:				
Buildings and Improvements	$ 86,833,352	$ 0	$ (131,823)	$ 86,701,529
Infrastructure	96,087	0	0	96,087
Other Capital Assets	1,595,073	142,798	0	1,737,871
Total Capital Assets Depreciated	$ 88,524,512	$ 142,798	$ (131,823)	$ 88,535,487
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 17,226,249	$ 1,716,061	$ (58,771)	$ 18,883,539
Infrastructure	961	1,922	0	2,883
Other Capital Assets	748,540	120,061	0	868,601
Total Accumulated Depreciation	$ 17,975,750	$ 1,838,044	$ (58,771)	$ 19,755,023
Total Capital Assets Depreciated, Net	$ 70,548,762	$ (1,695,246)	$ (73,052)	$ 68,780,464
Governmental Activities Capital Assets, Net	$ 76,949,268	$ 5,154,589	$ (73,052)	$ 82,030,805

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

Governmental Activities:

Instruction	$	29,132
Support Services		1,795,421
Operation of Non-instructional Services		13,491
Total Depreciation Expense - Governmental Activities	$	1,838,044

D. Construction Commitments

At June 30, 2017, the General Capital Projects Fund had an uncompleted contract of $926,900 for the architect and engineering services for renovations and expansion of the justice center. Funding will be provided for this future expenditure through a debt issue in fiscal year 2017-2018.

At June 30, 2017, the discretely presented School Department's Education Capital Projects Fund had uncompleted contracts totaling $38,425 for the Loudon County High project and $431,522 for the Highland Park School Renovations. Funding has been provided for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund		Amount
Primary Government:			
General	Nonmajor governmental	$	7,176
Discretely Presented School Department:			
General Purpose School	Educational Capital Projects		17,366
"	Nonmajor governmental		113
Nonmajor governmental	General Purpose School		3,878

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

Interfund Transfers:

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

Primary Government

Transfers Out		Transfers In General Fund		Transfers In Nonmajor Governmental Funds
General Fund	$	0	$	172,778
Highway/Public Works Fund		0		122,617
Nonmajor governmental fund		16,555		0
Total	$	16,555	$	295,395

The General Fund transferred $172,778 to the General Capital Projects Fund for cash flow purposes on two projects. The Highway/Public Works Fund transferred $82,617 to the General Debt Service Fund to retire highway debt. The Highway/Public Works Fund also transferred $40,000 to the General Capital Projects Fund for highway capital purchases. The General Capital Projects Fund transferred $16,555 to the General Fund to repay for various projects.

Discretely Presented Loudon County School Department

Transfers Out		Transfers In Nonmajor Governmental Fund	Purpose
General Purpose School Fund	$	288,000	Cafeteria Operations

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds accordance with budgetary authorizations.

F. Payables

The total of $19,136 in the nonmajor governmental funds Due to Litigants, Heirs, and Others account represents deposits from law enforcement seizures pending disposition by the Tennessee Department of Safety.

G. Hospital Lease Agreement

During June 2002, Loudon County entered into an agreement with Fort Sanders Medical Center (Covenant Health) to acquire a certificate of need from the Tennessee Health Facility Commission. Covenant Health agreed to build and operate a facility under a future lease agreement with Loudon County. The facility was completed and ownership was transferred to Loudon County. Loudon County has leased the facility to Fort Loudoun Medical Center, of which Covenant Health is the sole member. Fort Loudoun Medical Center has entered into an agreement to lease the property from Loudon County for a period of 20 years, commencing October 4, 2004, for a nominal annual charge of $100. The agreement provides for two renewal terms for five years each at the option of Fort Loudoun Medical Center. This lease agreement also includes provisions for Fort Loudoun Medical Center to expend additional amounts during the original lease term for capital outlay, recruitment, and/or other community benefits projects.

H. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 25 years for bonds, ten years for notes, and up to 17 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, other loans, and capital outlay notes included in long-term debt as of June 30, 2017, will be retired from the General Fund and the debt service funds.

General obligation bonds, capital outlay notes, and other loans 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	1.4 to 5 %	6-1-36	$ 52,190,000	$ 43,685,000
General Obligation Bonds - Refunding	2.8	4-1-20	2,600,000	1,630,000
Capital Outlay Notes	2.88	2-1-23	400,000	254,000
Other Loans - City of Loudon	0	N/A	475,000	167,514
Other Loans - PBA Variable Rate	variable	6-1-25	19,835,000	8,784,000
Loan Agreement - State School Bond Authority (QZABs)	0	12-1-20	4,129,500	1,101,200

Loudon County has entered into various loan agreements with Public Building Authorities (PBAs) to finance capital projects for the county and the discretely presented Loudon County School Department. The following table summarizes PBA loan agreements outstanding at June 30, 2017:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-17	Interest Type	Variable Interest Rates as of 6-30-17	Other Fees on Variable Rate Debt
Montgomery County Public Building Authority:					
Various Purposes	$ 5,000,000	$ 414,000	Variable	1.04 %	0.75 %
Blount County Public Building Authority:					
School Projects-Refunding	12,265,000	7,595,000	Variable	1.41 (1)	0.11
Various Purposes-Refunding	2,570,000	775,000	Variable	1.44	0.11
Total		$ 8,784,000			

(1) In addition to the interest requirements on this refunding debt, the county is also obligated for payments under a swap agreement that was entered into in connection with the refunded debt. See Note IV.B. Derivative Instruments.

Loudon County has also entered into the following agreement with the City of Loudon to provide funding for infrastructure improvements for a business development. The agreement is reflected as other loans in this report.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-17	Interest Rates
City of Loudon			
Highlands Business Center	$ 475,000	$ 167,514	0 %

Under the agreement, the county must pay its incremental tax revenues (excess of current taxes over base year amounts), from properties within the development toward the retirement of this obligation. The maximum amount the county is required to pay is $475,000 (with no interest accruing and no stated maturity date). During the year, the county paid $47,322 under the agreement.

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

Year Ending June 30	Bonds Principal	Interest	Total
2018	2,880,000	1,405,225	4,285,225
2019	2,905,000	1,318,125	4,223,125
2020	3,045,000	1,225,475	4,270,475
2021	2,540,000	1,130,125	3,670,125
2022	2,850,000	1,065,950	3,915,950
2023-2027	10,795,000	4,297,851	15,092,851
2028-2032	10,925,000	2,628,337	13,553,337
2033-2036	9,375,000	767,614	10,142,614
Total	$ 45,315,000	$ 13,838,702	$ 59,153,702

Year Ending June 30	Notes Principal	Interest	Total
2018	$ 39,000	$ 7,315	$ 46,315
2019	41,000	6,192	47,192
2020	42,000	5,011	47,011
2021	43,000	3,802	46,802
2022	44,000	2,563	46,563
2023	45,000	1,296	46,296
Total	$ 254,000	$ 26,179	$ 280,179

Year Ending	Other Loans - PBA and QZAB			
June 30	Principal	Interest	Other Fees	Total
2018	$ 1,709,300	$ 277,192	$ 12,249	$ 1,998,741
2019	1,340,300	242,986	8,011	1,591,297
2020	1,410,300	211,530	6,851	1,628,681
2021	1,190,300	178,190	5,613	1,374,103
2022	970,000	146,531	4,616	1,121,147
2023-2025	3,265,000	230,263	7,254	3,502,517
Total	$ 9,885,200	$ 1,286,692	$ 44,594	$ 11,216,486

Annual requirements for the $167,514 other loan payable for the Highlands Business Center project are not included in the schedule since the loan is to be repaid with tax increment revenues only, and there is no defined payment schedule.

Interest requirements in the above schedule include the synthetic rate the county is obligated for under a swap agreement. See Note IV.B. Derivative Instrument.

There is $10,432,517 available in the debt service funds to service long-term debt. Bonded debt per capita totaled $34, based on the 2010 federal census for residents living inside the Lenoir City School District and $1,128 for residents living outside of the school district. Total debt per capita, including bonds, notes, other loans, and unamortized premium on debt, totaled $68 for residents living inside the Lenoir City School District and $1,421 for residents living outside of the school district.

Changes in Long-term Obligations

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

	Bonds	Notes	Other Loans - City of Loudon
Balance, July 1, 2016	$ 48,090,000	$ 292,000	$ 214,836
Additions	0	0	0
Reductions	(2,775,000)	(38,000)	(47,322)
Balance, June 30, 2017	$ 45,315,000	$ 254,000	$ 167,514
Balance Due Within One Year	$ 2,800,000	$ 39,000	$ 0

	Other Loans - PBA & QZAB	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2016	$ 11,536,500	$ 563,140	$ 5,598,366
Additions	0	543,846	1,201,683
Reductions	(1,651,300)	(554,644)	(164,767)
Balance, June 30, 2017	$ 9,885,200	$ 552,342	$ 6,635,282
Balance Due Within One Year	$ 1,709,300	$ 543,846	$ 0

	Net Pension Liability
Balance, July 1, 2016	$ 404,858
Additions	2,320,120
Reductions	(1,814,362)
Balance, June 30, 2017	$ 910,616
Balance Due Within One Year	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$ 63,719,954
Less: Balance Due Within One Year	(5,092,146)
Add: Unamortized Premium on Debt	1,669,811
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 60,297,619

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

Discretely Presented Loudon County School Department

Changes in Long-term Obligations

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

	Other Postemployment Benefits	Net Pension Liability Agent Plan	Net Pension Liability Teacher Legacy Plan
Balance, July 1, 2016	$ 1,105,274	$ 142,692	$ 199,009
Additions	483,834	799,644	6,112,742
Reductions	(444,992)	(628,182)	(3,278,563)
Balance, June 30, 2017	$ 1,144,116	$ 314,154	$ 3,033,188
Balance Due Within One Year	$ 0	$ 0	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$ 4,491,458
Less: Balance Due Within One Year	0
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 4,491,458

I. Pledges of Future Revenues

Tax Incremental Revenues Pledged for Retirement of County Debt

As discussed in Note IV.H., Loudon County has pledged incremental real and personal property tax revenues from the Highland Business Center development toward the retirement of a loan agreement entered into between the county and the City of Loudon. The principal amount of this outstanding loan at June 30, 2017, was $167,514.

J. On-Behalf Payments – Discretely Presented Loudon County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Loudon 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 $141,888 and $33,813, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Loudon County School Department has established the Employee Dental and Vision Insurance Fund for risks associated with the employees' dental and vision plans. The Employee Dental and Vision Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements.

All full-time employees of the Loudon County School Department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Liabilities of this fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Dental and Vision Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Claims liabilities include incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2015-2016	$13,510	$369,757	($360,068)	$23,199
2016-2017	23,199	400,698	(408,404)	15,493

The primary government provides health, dental, and vision coverage through commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

Loudon County and the discretely presented Loudon County School Department joined the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county and the School Department pay annual premiums to the TN-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of the 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 Mutiple-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 No. 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, establishes 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 a 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 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

Loudon County is contingently liable for a State of Tennessee revolving loan agreement of a joint venture, Tellico Area Services System (TASS). Loudon County would become liable for this loan agreement in the event of default by TASS. As of June 30, 2017, future principal and interest requirements were $2,722,258 and $278,926.

The county is involved in several pending lawsuits. Management estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

D. Joint Ventures

The Loudon County Solid Waste Disposal Commission (LCSWDC) is a joint venture formed by an interlocal governmental agreement between Loudon County, the City of Loudon, and Lenoir City. The joint venture operates the Loudon County regional landfill. The LCSWDC is governed by a seven-member board appointed by the participating governments.

The Center Executive Board is a joint venture formed by an interlocal agreement between Loudon County and Lenoir City. The purpose of the board is to provide operation and maintenance for the Career Center Building jointly owned by Loudon County and Lenoir City. The Center Executive Board members are approved by the city and county legislative bodies. The interlocal agreement calls for any excess revenue over the operational and maintenance cost to be remitted back to the county and city based on the percentage of prior construction costs provided by each entity. However, the county and city may be required to compensate the federal government for its fair share based on contributions made by federal grants. The financial transactions of this joint venture are channeled through the county Trustee's Office, and the county accounts for these transactions in an agency fund.

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

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Ninth Judicial District; Roane, Loudon, Meigs, and Morgan counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, which includes the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Loudon County made no contributions to the DTF for the year ended June 30, 2017.

The Loudon County Economic Development Agency, Inc., was designated to function as the Joint Economic and Community Development Board under Public Chapter 1101. The agency is responsible for coordinating governmental and private industrial development and economic development activities in Loudon County. The agency is a joint venture between Loudon County and the cities of Loudon and Lenoir City, and Lenoir City Industrial Committee of 100, in which each provide financial support. The agency is governed by an eight-member board comprising one member from the three governments and the remaining members from other various community organizations. Loudon County provided the agency $162,545 in financial support during the 2016-17 year.

Loudon County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for these joint ventures can be obtained from their respective administrative office at the following addresses:

Administrative Offices:

Loudon County Solid Waste Disposal Commission
101 Mulberry Street, Suite 102
Loudon, TN 37774

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

District Attorney General
Ninth Judicial District Drug Task Force
P.O. Box 703
Kingston, TN 37763

Loudon County Economic Development Agency, Inc.
274 Blair Bend Drive
Loudon, TN 37774

E. **Jointly Governed Organization**

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

F. **Retirement Commitments**

1. **Tennessee Consolidated Retirement System (TCRS)**

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Loudon County and non-certified employees of the discretely presented Loudon 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 74.35 percent, the non-certified employees of the discretely presented School Department comprised 25.65 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	229
Inactive Employees Entitled to But Not Yet Receiving Benefits	399
Active Employees	360
Total	988

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. Loudon 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 Loudon County was $1,269,610 based on a rate of 10.38 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Loudon 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)

Loudon 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 Loudon 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	$ 38,587,013	$ 38,039,463	$ 547,550
Changes for the year:			
Service Cost	$ 1,055,657	$ 0	$ 1,055,657
Interest	2,909,485	0	2,909,485
Differences Between Expected and Actual Experience	(511,733)	0	(511,733)
Contributions-Employer	0	1,210,474	(1,210,474)
Contributions-Employees	0	583,304	(583,304)
Net Investment Income	0	1,009,897	(1,009,897)
Benefit Payments, Including Refunds of Employee Contributions	(1,699,079)	(1,699,079)	0
Administrative Expense	0	(27,486)	27,486
Other Changes	0	0	0
Net Changes	$ 1,754,330	$ 1,077,110	$ 677,220
Balance, June 30, 2016	$ 40,341,343	$ 39,116,573	$ 1,224,770

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	74.35%	$ 29,993,789	$ 29,083,173	$ 910,616
School Department	25.65%	10,347,554	10,033,400	314,154
Total		$ 40,341,343	$ 39,116,573	$ 1,224,770

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

Loudon County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 6,523,101	$ 1,224,770	$ (3,174,617)

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

Pension Expense. For the year ended June 30, 2017, Loudon County recognized pension expense of $468,790.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, Loudon 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	$ 67,912	$ 663,179
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,307,670	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	1,269,610	N/A
Total	$ 2,645,192	$ 663,179

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	$ 1,979,859	$ 493,074
School Department	665,333	170,105
Total	$ 2,645,192	$ 663,179

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	$ (85,054)
2019	(85,054)
2020	615,745
2021	266,770
2022	0
Thereafter	0

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

Discretely Presented Loudon County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Loudon County and non-certified employees of the discretely presented Loudon County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 74.35 percent and the non-certified employees of the discretely presented School Department comprise 25.65 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher

Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017, to the Teacher Retirement Plan were $117,936, 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 Loudon County School Department reported an asset of $47,381 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 Loudon County School Department's proportion of the net pension asset was based on the Loudon 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 Loudon County School Department's proportion was .455135 percent. The revised proportion measured at June 30, 2015, was .466246 percent.

Pension Expense. For the year ended June 30, 2017, the Loudon County School Department recognized pension expense of $39,694.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Loudon County School Department reported deferred outflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$	4,591	$	5,463
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		7,758		0
Changes in proportion of of Net Pension Liability (Asset)		312		0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016		117,936		N/A
Total	$	130,597	$	5,463

The Loudon County School Department's employer contributions of $117,936, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of 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	$	1,944
2019		1,944
2020		1,944
2021		1,574
2022		(88)
Thereafter		(120)

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 Loudon 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 Loudon 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	$	22,374	$	(47,381)	$	(98,776)

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 Loudon 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 Loudon County School Department for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were $1,551,335, 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 Loudon County School Department reported a liability of $3,033,188 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 Loudon County School Department's proportion of the net pension liability (asset) was based on the Loudon 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 Loudon County School Department's proportion was .485353 percent. The proportion measured at June 30, 2015, was .485820 percent.

Pension Expense. For the year ended June 30, 2017, the Loudon County School Department recognized pension expense of $405,568.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Loudon 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	$ 127,647	$ 3,672,186
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,386,595	0
Changes in Proportion of Net Pension Laibility (Asset)	195,272	3,545
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	1,551,335	N/A
Total	$ 5,260,849	$ 3,675,731

The Loudon County School Department's employer contributions of $1,551,335 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability 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	$ (519,450)
2019	(519,450)
2020	1,105,098
2021	207,594
2022	(240,007)
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, 2015, 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 Loudon 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 Loudon 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	$ 16,655,757	$ 3,033,188	$ (8,251,134)

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

2. Deferred Compensation

Teachers hired after July 1, 2014, by the discretely presented Loudon County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401 (k). As part of their employment package, the Loudon County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401 (k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401 (k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Loudon County School Department contributed $144,596 to the 401 (k) portion of the hybrid pension plan on-behalf of the plan participants.

G. Other Postemployment Benefits (OPEB)

Primary Government

Plan Description

Loudon County participates in a commercial postemployment benefits plan administered by United Health Care for medical benefits and Blue Cross Blue Shield for life insurance for retirees and their beneficiaries. For accounting purposes, the plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by the county commission.

Funding Policy

The premium requirements are established and may be amended by the county commission. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums. Eligible employees must be age 60 with five years of service, or any age with 30 years of service until attainment of age 65 when they become eligible for Medicare. Retirees are required to pay 50 percent of the medical premium per month for their insurance coverage. The retiree's spouse is eligible while the retiree is eligible for coverage until the spouse's age of 65. During the year ended June 30, 2017, Loudon County contributed $164,767 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Commercial Plan
ARC	$ 1,258,652
Interest on the NOPEBO	223,934
Adjustment to the ARC	(280,903)
Annual OPEB cost	$ 1,201,683
Amount of contribution	(164,767)
Increase/decrease in NOPEBO	$ 1,036,916
Net OPEB obligation, 7-1-16	5,598,366
Net OPEB obligation, 6-30-17	$ 6,635,282

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-15	Loudon County	$ 1,047,101	18.1%	$ 4,711,053
6-30-16	"	1,100,251	19.4	5,598,366
6-30-17	"	1,201,683	13.7	6,635,282

	Local Government Commercial Plan
Actuarial valuation date	7-1-16
Actuarial accrued liability (AAL)	$ 9,473,242
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 9,473,242
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 8,262,028
UAAL as a % of covered payroll	114.7%

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, 2016, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of nine percent initially, reduced by decrements to an ultimate rate of five percent by 2020. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls over a 30-year period beginning with July 1, 2008.

Discretely Presented Loudon County School Department

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2017, the School Department contributed $444,992 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
ARC	$ 484,000
Interest on the NOPEBO	41,448
Adjustment to the ARC	(41,614)
Annual OPEB cost	$ 483,834
Amount of contribution	(444,992)
Increase/decrease in NOPEBO	$ 38,842
Net OPEB obligation, 7-1-15	1,105,274
Net OPEB obligation, 6-30-16	$ 1,144,116

Fiscal Year Ended	Plan		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation at Year End
6-30-15	Local Education Group	$	444,952	82	% $	1,005,181
6-30-16	"		467,849	79		1,105,274
6-30-17	"		483,834	92		1,144,116

Funded Status and Funding Progress

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

	Local Education Group Plan
Actuarial valuation date	7-1-15
Actuarial accrued liability (AAL)	$ 4,309,000
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 4,309,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 23,743,386
UAAL as a % of covered payroll	18.15%

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 supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 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.

H. Termination Benefits

The Loudon County Board of Education offers a retirement incentive to all state licensed personnel who:

- Meet the requirements for a service retirement from the Tennessee Consolidated Retirement System (TCRS).
- Have continuously been employed by the Loudon County Board of Education as a licensed teacher or administrator for the last 20 years prior to retirement.
- Make timely application for this benefit on appropriate forms and presents these to the director for approval.
- Are approved by the TCRS for service retirement benefits.

Retiring personnel who satisfy all the above requirements are eligible for a retirement incentive equal to 25 percent of their annual salary. During the year ended June 30, 2017, the School Department did not have any participants.

I. Office of Director of Accounts and Budgets

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

J. Purchasing Laws

Purchasing procedures for the Offices of County Mayor, Director of Schools, and Highway Superintendent are governed by the County Purchasing Law of 1957, Section 5-14-101, et seq., *Tennessee Code Annotated* (*TCA*). Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, *TCA*. These statutes provide for a purchasing agent and require competitive bids on all purchases exceeding $25,000.

K. <u>Subsequent Events</u>

On October 31, 2017, Loudon County issued $9,675,000 in general obligation bonds for renovations and expansion of the justice center.

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.