

# OFFICIAL STATEMENT

## NEW ISSUES

BOOK-ENTRY-ONLY

Rating: Moody's – "Aa2"  
(See "MISCELLANEOUS-Rating" herein)

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

## **\$10,900,000**

### **ANDERSON COUNTY, TENNESSEE**

#### **\$5,620,000 Rural Elementary School Bonds, Series 2019A**

#### **\$5,280,000 Rural High School Bonds, Series 2019B**

Dated: February 28, 2019.

Due: May 1, as shown below.

The \$5,620,000 Rural Elementary School Bonds, Series 2019A (the "Series 2019A Bonds") and the \$5,280,000 Rural High School Bonds, Series 2019B (the "Series 2019B Bonds") (collectively, the "Bonds") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on November 1, 2019 and thereafter on each May 1 and November 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the principal corporate trust office of the Registration Agent.

The Series 2019A Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the territorial limits of the County lying outside the corporate limits of the City of Oak Ridge, Tennessee and the City of Clinton, Tennessee. The Series 2019B Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the territorial limits of the County lying outside the corporate limits of the City of Oak Ridge, Tennessee. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

Bonds maturing May 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2026.

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Jay Yeager, Esq., County Attorney. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about February 28, 2019.

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

February 13, 2019



**\$10,900,000**  
**ANDERSON COUNTY, TENNESSEE**

**\$5,620,000 Rural Elementary School Bonds, Series 2019A**

<u>Due</u> <u>(May 1)</u>	<u>Amount</u>	<u>Interest</u>		<u>CUSIPs**</u>	<u>Due</u> <u>(May 1)</u>	<u>Amount</u>	<u>Interest</u>		<u>CUSIPs**</u>
		<u>Rate</u>	<u>Yield</u>				<u>Rate</u>	<u>Yield</u>	
2020	\$155,000	5.00%	1.64%	033790 EV4	2029	\$280,000	3.00%	2.39%	c 033790 FE1
2021	200,000	5.00	1.67	033790 EW2	2030	285,000	3.00	2.55	c 033790 FF8
2022	210,000	5.00	1.69	033790 EX0	2033	315,000	3.00	3.09	033790 FJ0
2023	220,000	5.00	1.72	033790 EY8	2034	325,000	3.00	3.14	033790 FK7
2024	230,000	5.00	1.77	033790 EZ5	2035	335,000	3.00	3.20	033790 FL5
2025	240,000	5.00	1.86	033790 FA9	2036	345,000	3.125	3.26	033790 FM3
2026	250,000	5.00	1.94	033790 FB7	2037	355,000	3.25	3.32	033790 FN1
2027	265,000	2.00	2.15	033790 FC5	2038	365,000	3.25	3.38	033790 FP6
2028	270,000	3.00	2.24	c 033790 FD3	2039	375,000	3.375	3.43	033790 FQ4

\$600,000 3.00% Term Bond Due May 1, 2032 @ 3.00% 033790 FH4

**\$5,280,000 Rural High School Bonds, Series 2019B**

<u>Due</u> <u>(May 1)</u>	<u>Amount</u>	<u>Interest</u>		<u>CUSIPs**</u>	<u>Due</u> <u>(May 1)</u>	<u>Amount</u>	<u>Interest</u>		<u>CUSIPs**</u>
		<u>Rate</u>	<u>Yield</u>				<u>Rate</u>	<u>Yield</u>	
2020	\$135,000	5.00%	1.61%	033790 FR2	2029	\$260,000	4.00%	2.30%	c 033790 GA8
2021	180,000	5.00	1.62	033790 FS0	2030	270,000	4.00	2.45	c 033790 GB6
2022	185,000	5.00	1.66	033790 FT8	2031	280,000	4.00	2.61	c 033790 GC4
2023	195,000	5.00	1.70	033790 FU5	2032	290,000	4.00	2.73	c 033790 GD2
2024	205,000	5.00	1.75	033790 FV3	2033	305,000	4.00	2.84	c 033790 GE0
2025	215,000	5.00	1.84	033790 FW1	2036	335,000	3.125	3.18	033790 GH3
2026	225,000	5.00	1.92	033790 FX9	2037	345,000	3.25	3.27	033790 GJ9
2027	240,000	5.00	2.01	c 033790 FY7	2038	355,000	3.25	3.33	033790 GK6
2028	250,000	4.00	2.16	c 033790 FZ4	2039	370,000	3.375	3.38	033790 GL4

\$640,000 3.00% Term Bond Due May 1, 2035 @ 3.10% 033790 GG5

c = Yield to call on May 1, 2026.

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

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

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

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

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

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

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

# ANDERSON COUNTY, TENNESSEE

## OFFICIALS

Terry Frank  
Jeff Cole  
Natalie Erb  
Johnny Alley  
Jay Yeager

*County Mayor*  
*County Clerk*  
*Finance Director*  
*Assessor of Property*  
*Law Director*

## BOARD OF COUNTY COMMISSIONERS

Joshua Anderson  
Jerry Creasey  
Catherine Denenberg  
Chuck Fritts  
Tim Isbel  
Robert Jameson  
Robert McKamey  
Steve Mead

Rick Meredith  
Theresa Scott  
Bob Smallridge  
Shain Vowell  
Denver Waddell  
Tracy Wandell  
Jerry White  
Phil Yager

## UNDERWRITERS

**Rural Elementary School**  
**Series 2019A**

Raymond James & Associates, Inc.

**Rural High School**  
**Series 2019B**

UMB Bank

## RESISTRATION AND PAYING AGENT

Regions Bank  
Nashville, Tennessee

## BOND COUNSEL

Bass, Berry & Sims PLC  
Knoxville, Tennessee

## FINANCIAL ADVISOR

Cumberland Securities Company, Inc.  
Knoxville, Tennessee



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## APPENDIX C: ANDERSON 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 .....Anderson County, Tennessee (the “County” or “Issuer”). See APPENDIX B contained herein.

Securities Offered.....\$5,620,000 Rural Elementary School Bonds, Series 2019A (the “Series 2019A Bonds”) and the \$5,280,000 Rural High School Bonds, Series 2019B (the “Series 2019B Bonds”) (collectively “the Bonds”) of the County, dated the date of issuance February 28, 2019. The Series 2019A Bonds mature each May 1 beginning May 1, 2020 through May 1, 2030, inclusive and May 1, 2032 and May 1, 2033 through May 1, 2039, inclusive. The Series 2019B Bonds mature each May 1 beginning May 1, 2020 through May 1, 2033 and May 1, 2035 and May 1, 2036 and May 1, 2039, inclusive. See section entitled “SECURITIES OFFERED” herein for additional information.

Security -----The Series 2019A Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County lying outside the corporate limits of the City of Oak Ridge, Tennessee and the City of Clinton, Tennessee. For the prompt payment of principal of and interest on the Bonds, and as subject to the forgoing limitations as to area, the full faith and credit of the County are irrevocably pledged.

The Series 2019B Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County lying outside the corporate limits of the City of Oak Ridge, Tennessee. For the prompt payment of principal of and interest on the Bonds, and as subject to the forgoing limitations as to area, the full faith and credit of the County are irrevocably pledged.

Purpose .....The Series 2019A Bonds are being issued for the purpose of providing funds for (i) acquisition, construction, and equipping of the portion of certain County school facilities providing educational services to students residing outside the corporate limits of the City of Oak Ridge, Tennessee and the City of Clinton, Tennessee, including, but not limited to, energy efficiency improvements to school facilities; (ii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing; (iii) reimbursement to the County for funds previously expended for the foregoing costs, if applicable; and (iv) payment of costs incurred in connection with the issuance and sale of the bonds.

The Series 2019B Bonds are being issued for the purpose of providing funds for (i) acquisition, construction, and equipping of the portion of certain County school facilities providing educational services to students residing outside the corporate limits of the City of Oak Ridge, Tennessee, including, but not limited to, energy efficiency improvements to school facilities; (ii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing; (iii) reimbursement to the County for funds previously expended for the foregoing costs, if applicable; and (iv) payment of costs incurred in connection with the issuance and sale of the bonds.

Optional Redemption .....The Bonds are subject to optional redemption prior to maturity on or after May 1, 2026, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.

Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. 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.)
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.
Underwriters.....	Series 2019A: Raymond James & Associates, Inc. Series 2019B: UMB Bank.
Bond Counsel .....	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Book-Entry Only .....	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”
Registration Agent.....	Regions Bank, Nashville, Tennessee.
General.....	The Bonds are being issued in full compliance with applicable provisions of Title 49, Chapter 3, <i>Tennessee Code Annotated</i> , 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 <i>Official Statement</i> 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 <i>Official Statement</i> , contact Terry Frank, County Mayor, Anderson County Courthouse, 100 North Main St, Room 208, Clinton, Tennessee 37716, (865) 457-5400; or the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 22715, Knoxville, Tennessee 37933, Telephone: (865) 988-2663.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<b>UNAUDITED</b> <u>2018</u>
Beginning Fund Balance	\$ 6,140,901	\$ 7,858,162	\$ 9,217,686	\$10,485,984	\$9,985,258
Revenues	26,337,623	25,733,120	25,919,651	26,239,674	27,311,328
Expenditures	24,270,718	24,287,584	24,198,665	26,389,287	25,151,540
Revenues Over Expenditures:					
Proceeds from Sale of Assets	2,993	1,650	7,928	12,775	5,668
Other Loans Issued	-	501,365	-	-	-
Insurance Recovery	8,345	19,300	19,389	6,704	125,330
Transfers In	230,407	200,000	-	-	-
Transfers Out	(591,389)	(808,327)	(480,005)	(370,592)	(241,241)
<b>Ending Fund Balance</b>	<b><u>\$7,858,162</u></b>	<b><u>\$9,217,686</u></b>	<b><u>\$10,485,984</u></b>	<b><u>\$9,985,258</u></b>	<b><u>\$12,034,803</u></b>

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



**\$10,900,000**

**ANDERSON COUNTY, TENNESSEE**  
**\$5,620,000 Rural Elementary School Bonds, Series 2019A**  
**\$5,280,000 Rural High School Bonds, Series 2019B**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Anderson County, Tennessee (the “County”) of \$5,620,000 Rural Elementary School Bonds, Series 2019A (the “Series 2019A Bonds”) and \$5,280,000 Rural High School Bonds, Series 2019B (the “Series 2019B Bonds”) (collectively, the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on December 17, 2018 (the “Resolution”).

The Series 2019A Bonds are being issued for the purpose of providing funds for (i) acquisition, construction, and equipping of the portion of certain County school facilities providing educational services to students residing outside the corporate limits of the City of Oak Ridge, Tennessee and the City of Clinton, Tennessee, including, but not limited to, energy efficiency improvements to school facilities; (ii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing; (iii) reimbursement to the County for funds previously expended for the foregoing costs, if applicable; and (iv) payment of costs incurred in connection with the issuance and sale of the bonds.

The Series 2019B Bonds are being issued for the purpose of providing funds for (i) acquisition, construction, and equipping of the portion of certain County school facilities providing educational services to students residing outside the corporate limits of the City of Oak Ridge, Tennessee, including, but not limited to, energy efficiency improvements to school facilities; (ii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing; (iii) reimbursement to the County for funds previously expended for the foregoing costs, if applicable; and (iv) payment of costs incurred in connection with 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 February 28, 2019. Interest on the Bonds will be payable semi-annually on May 1 and November 1,

commencing November 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 Series 2019A Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the County lying outside the corporate limits of the City of Oak Ridge, Tennessee and the City of Clinton, Tennessee. For the prompt payment of principal of and interest on the Bonds, as subject to the foregoing limitations as to area, the full faith and credit of the County subject to the territorial limits above are irrevocably pledged.

The Series 2019B Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the County lying outside the corporate limits of the City of Oak Ridge, Tennessee. For the prompt payment of principal of and interest on the Bonds, as subject to the foregoing limitations as to area, the full faith and credit of the County subject to the territorial limits above are irrevocably pledged.

The County, through its governing body, shall annually levy and collect a tax on all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

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

## **OPTIONAL REDEMPTION OF THE BONDS**

The Bonds maturing May 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2026 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 SERIES 2019A BONDS**

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing May 1, 2032 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:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
May 1, 2032	May 1, 2031	\$295,000
	May 1, 2032*	\$305,000

\*Final Maturity

**MANDATORY REDEMPTION SERIES 2019B BONDS**

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing May 1, 2035 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds 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:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
May 1, 2035	May 1, 2034	\$315,000
	May 1, 2035*	\$325,000

\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the County may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to

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

## **NOTICE OF REDEMPTION**

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

## **PAYMENT OF BONDS**

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be



paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

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

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

### BOOK-ENTRY-ONLY SYSTEM

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

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

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

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and

pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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](http://www.dtcc.com).

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

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

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the

nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

## **DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

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

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent and the Financial Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent or the Financial

Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

## **DISPOSITION OF BOND PROCEEDS**

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

- (a) all accrued interest, if any, shall be deposited to the appropriate fund of the County to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
- (a) the remainder of 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 separate special funds for each series to be known as a Construction Fund for such series (each a "Construction Fund") to be kept separate and apart from all other funds of the County. If applicable, the County shall disburse funds in each 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. The remaining funds in each Construction Fund shall be disbursed solely to pay the costs of the projects being financed with such series. Money in each Construction Fund for each series 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 each Construction Fund shall be expended only for the purposes authorized by the applicable Resolution. Any funds remaining in each Construction Fund after completion of the projects being financed and payment of authorized expenses shall be used to pay principal of and interest on the Bonds. Moneys in each Construction Fund shall be invested by the County Trustee in such investments as shall be permitted by applicable law. Earnings from such investments shall be placed in each Construction Fund, or at the direction of the Budget and Accounts Director of the County, used to pay debt service on the Bonds, subject to any modifications by the Governing Body.

## **DISCHARGE AND SATISFACTION OF BONDS**

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

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

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

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

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

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

## **REMEDIES OF BONDHOLDERS**

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

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

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

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## LEGAL MATTERS

### LITIGATION

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

### TAX MATTERS

#### **Federal**

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

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

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

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

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

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

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



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

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

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

*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 her official capacity to the effect that to the best of her 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 her official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official

capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

#### **APPROVAL OF LEGAL PROCEEDINGS**

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

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## MISCELLANEOUS

### **RATING**

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

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by Moody's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, 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 rating should be obtained from Moody's.

### **COMPETITIVE PUBLIC SALE**

The Bonds were offered for sale at competitive public bidding on February 13, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated January 30, 2019.

The successful bidder for the Series 2019A Bonds was an account led by Raymond James & Associates, Inc. (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Series 2019A Bonds at a purchase price of \$5,764,313.39 (consisting of the par amount of the Bonds, plus a net reoffering premium of \$195,688.60, and less an underwriter's discount of \$51,375.21) or 102.568% of par.

The successful bidder for the Series 2019B Bonds was an account led by UMB Bank, (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 Series 2019B Bonds at a purchase price of \$5,630,682.92 (consisting of the par amount of the Bonds, plus a net reoffering premium of \$372,372.60, and less an underwriter's discount of \$21,689.68) or 106.642% 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.

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## **ADDITIONAL DEBT**

The County has not authorized any additional debt at this time. However, 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 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](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

### *Five-Year History of Filing.*

**Primary Base CUSIP 033789** - The required information and audits for Fiscal Years 2013, 2014, 2015, 2016 and 2017 were each filed on time to the primary base CUSIP (033789) for the County.

**Secondary Base CUSIP 033790** - The County's issue of General Obligation Bonds, Series 2011D (the "Series 2011D Bonds"), Rural Elementary School Bonds, Series 2011E (the "Series 2011E Bonds") and the Rural High School Bonds, Series 2011F (the "Series 2011F Bonds") dated September 28, 2011, and the issue of Rural Elementary School Bonds, Series 2013 (the "Elementary School Bonds") and the Rural High School Bonds, Series 2013 (the "High School Bonds") dated December 11, 2013 were issued under a different base CUSIP (033790)

from the rest of the County's issues (033789). The required information and audits for Fiscal Years 2013, 2014 and 2015 were late on the base CUSIP of 033790 because of confusion on the Issuer having two separate base CUSIPs. The County filed late on CUSIP 033790 the required information and audits for Fiscal Years 2011 and 2012 on August 30, 2013 (14 months late and 2 months late, respectively) and for Fiscal Year 2013 on July 7, 2014 (7 days late). The Dissemination agent filed the required information and audits for Fiscal Years 2014 and 2015 on February 14, 2017 (31 1/2 months late and 19 1/2 months late, respectively). The required information and audits for Fiscal Years 2016 and 2017 were each filed on time to the secondary base CUSIP (033790) for the County.

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 transaction were made or made in a timely manner as required by Rule 15c2-12. The County does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the County, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

*Content of Annual Report.* The County's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the County for the fiscal year, prepared in accordance with generally accepted accounting principles, provided, however, if the County's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed 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-18;
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-19 through B-22;
3. Information about the bonded debt service requirements as shown on page B-23 through B-26;
4. The fund balances, net assets and retained earnings for the fiscal year as shown on page B-28;
5. Summary of revenues, expenditures and changes in fund balances - general fund for the fiscal year as shown on page B-29;
6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-35;

7. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-35; and
8. The ten largest taxpayers as shown on page B-36.

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 material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - g. Modifications to rights of Bondholders, if material;



- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a Financial Obligation (defined as: a debt obligation including material bank loans; or a derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or a guarantee of debt obligation or derivative instrument) of the obligated person, if material or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

## **ADDITIONAL INFORMATION**

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

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

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

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

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

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**CERTIFICATION OF THE COUNTY**

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

/s/ Terry Frank  
County Mayor

ATTEST:

/s/ Jeff Cole  
County Clerk



## **APPENDIX A**

### **LEGAL OPINIONS**





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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Anderson County, Tennessee (the "Issuer") of \$5,620,000 Rural Elementary School Bonds, Series 2019A, dated February 28, 2019 (the "Bonds"). In such capacity, 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 and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, 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 are valid and binding obligations of the Issuer.

2. The resolution of the Board of County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. Subject to the limitations set forth in the following sentence, the Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer lying outside the territorial limits of the City of Oak Ridge, Tennessee and the City of Clinton, Tennessee.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) 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. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. 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. 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 taxation 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 or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

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 limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in 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 changes in law that may hereafter occur.

Yours very truly,

Bass, Berry & Sims PLC

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Anderson County, Tennessee (the "Issuer") of \$5,280,000 Rural High School Bonds, Series 2019B, dated February 28, 2019 (the "Bonds"). In such capacity, 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 and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, 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 are valid and binding obligations of the Issuer.

2. The resolution of the Board of County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. Subject to the limitations set forth in the following sentence, the Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer lying outside the territorial limits of the City of Oak Ridge, Tennessee.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) 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. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. 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. 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 taxation 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 or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

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 limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in 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 changes in law that may hereafter occur.

Yours very truly,

Bass, Berry & Sims PLC

**APPENDIX B**

**ANDERSON COUNTY, TENNESSEE  
SUPPLEMENTAL INFORMATION STATEMENT**



## GENERAL INFORMATION

### LOCATION

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

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

### GENERAL

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

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

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

### TRANSPORTATION

The County have access to several transportation facilities. Four state highways, Route 95, 61, 58, and 62, intersect in the County, and access to Interstates 75 and 40 is also available. The

County is served by the CSX Railroad, Norfolk Southern Railroad, and L & N Railroad, bus lines and numerous truck lines.

Commercial air service is provided by McGhee Tyson Airport, a major commercial and freight air terminal at Alcoa, Tennessee about 25 miles away. The nearest general aviation airport is located at Jacksboro, Tennessee, approximately 15 miles away from the County. There is also an airstrip at Oliver Springs, 5 miles outside Oak Ridge. The City has proposed a new general aviation airport in the East Tennessee Technology Park in Oak Ridge (please see “RECENT DEVELOPMENTS” for more information.)

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

## **EDUCATION**

There are three school systems located within the County. *Anderson County School System* has a very extensive school system made up of 17 schools countywide. Anderson County had a fall 2017 enrollment of about 6,307 students for 422 teachers. The *Oak Ridge City School System* operates seven schools covering pre-school through 12. The fall 2017 enrollment was about 4,441 students with 310 teachers. In addition to the City system, a parochial school also exists within the County covering grades one through eight with an enrollment of approximately 200 students. The *Clinton City School System* operates three elementary schools. The fall 2017 enrollment was about 940 students with 61 teachers.

*Source:* Tennessee Department of Education.

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

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



*Roane State Community College Oak Ridge Campus.* Roane State Community College, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2017 enrollment was about 5,776 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 College of Applied Technology at Harriman.* The Tennessee College of Applied Technology at Harriman (the “TCAT-H”) is part of a statewide system of 26 vocational-technical schools. The TCAT-H meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical school. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-H serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The TCAT-H began operations in 1970, and the main campus is located in Roane County. Fall 2016 enrollment was 513 students.

*Source:* Tennessee Technology Center at Harriman.

## **MEDICAL**

*Methodist Medical Center of Oak Ridge,* a 301-bed acute care facility in Oak Ridge, is one of the first hospitals in East Tennessee to offer cutting-edge treatments that benefit people with life-threatening aneurysms; severely damaged knee, hip and shoulder joints; sudden heart failure; and nonhealing wounds. The hospital offers over 30 specialties, from open heart to neurosurgery and boasts one of the highest percentages of board certified physicians in the area. It is a full-service regional medical facility. Methodist Medical Center dates back to 1942 and became part of Covenant Health in 1996.

Covenant Health, headquartered in nearby Knoxville, has nine acute-care hospitals, 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 Methodist Medical Center.

## **SCIENCE AND ENERGY**

### *History*

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

necessary facilities for the employees of the uranium plants. This project (known as the "Manhattan Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955 the Atomic Energy Commission sold the homes and land to the residents. In 1959 the residents voted in favor of incorporation under a modified city manager-council form of government.

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

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

### *Research*

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

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

Oak Ridge National Lab. ORNL is a multiprogram science and technology laboratory managed for the DOE by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. ORNL also performs other work for DOE, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office.

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

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

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

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

ORNL's *Supercomputers* are housed in a 170,000-square-foot facility that includes 449 staff and 40,000 square feet of space for computer systems and data storage. The facility will house or has housed five supercomputers - the "Summit", currently ranked the fastest supercomputer in the world as of June 2018, the new exascale computer "Frontier" that has yet to be completed, the "Titan", the "Kraken", and the now dismantled "Jaguar". "Summit", built by IBM, is the third computer at Oak Ridge to be ranked number one. The "Titan" was the world's fastest at its November 2012 debut, and the "Jaguar" while in operation held the title twice in November 2009 and June 2010. The machines work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across

society.

The “Summit” supercomputer cost an estimated \$200 million contract to build and is used for a wide range of scientific applications including combustion science, climate change, energy storage and nuclear power. “Summit” also serves as an artificial intelligence and deep learning computer, capable of analyzing massive amounts of data and automating critical steps of the discovery process.

The “Summit” was operational in 2018 and is eight times faster than the “Titan”. “Summit” is able to make over 140 quadrillion calculations per second, measured as 140 petaflops. Due to all the energy and heat produced by the calculations, “Summit” produces more heat per square centimeter than tiles on the bottom of a spaceship re-entering Earth's atmosphere. Therefore, “Summit” is cooled by water pumped through plates that sit on top of the computer's chips. In all, “Summit” uses up to 15 megawatts, equivalent to the power 9,000 to 18,000 homes would consume, depending on the time of day. At peak, “Titan” uses about 9 megawatts.

The uncompleted “Frontier” exascale computer (which will be the world’s first) ORNL hopes to have built by 2021 will be 50 times faster than the “Summit”. This exascale computer will replace the “Titan”.

The National Oceanic and Atmospheric Administration (the “NOAA”) sponsors the “Titan”, funded with Recovery Act money. NOAA awarded Cray and ORNL a \$47 million contract to provide the supercomputer “Titan” to work on climate research. The Cray supercomputer, the “Titan”, was online in late 2012 after several years of development to replace the “Jaguar” supercomputer at ORNL. When the “Titan” was listed as the world’s fastest computer in late 2012 it marked the fourth time a computer from ORNL has achieved that distinction since 1953. The “Titan’s” purpose is to support research in energy, climate change, efficient engines and materials science. “Titan” is capable of a peak performance of about 27-petaflops. That speed is about 10 times the capability of the first “Jaguar”, which at one time was the world's fastest computer. The total cost of the “Titan” was estimated to be about \$100 million, but about \$20 million was saved by reusing much of the “Jaguar” structure.

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

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

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

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

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

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

### *Nuclear*

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

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

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

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

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

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

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

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

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

The *Uranium Processing Facility* (the "UPF") Project, cornerstone of Y-12's new modernization strategy, will replace current enriched uranium and other processing operations. It will replace Y-12's main production center and cost \$6.5 billion. In 2018 the last approval from the DOE was given to build the final three buildings that will make up the UPF. The \$6.5 billion project will be the largest construction project the state has ever seen, and the project is expected to create more than 2,000 jobs during peak construction. The design phase began in 2006, construction began in 2009, and should be in operation by 2025. Construction of the UPF will accelerate consolidation of aging facilities, bringing production operations currently housed in multiple buildings together, reducing the size of the plant's highest security area by 90 percent, improving the overall security posture, making the plant more secure and saving millions of dollars in annual operating costs. See "RECENT DEVELOPMENTS" for more information.

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

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## POWER PRODUCTION

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

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

To reduce sulfur dioxide (SO<sub>2</sub>) emissions, Bull Run burns a blend of low-sulfur coal. Construction of a scrubber to further reduce SO<sub>2</sub> began in 2005 and is scheduled for completion in 2009. To reduce nitrogen oxides (NO<sub>x</sub>), the plant uses a selective catalytic reduction system as well as combustion and boiler optimization controls. In 2010 TVA had spent about \$5.7 billion on emission controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.

*Kingston Fossil Plant.* TVA's Kingston Fossil Plant is located on Watts Bar Reservoir on the Tennessee River near Kingston in Roane County. At the time it was finished in 1955, Kingston was the largest coal-burning power plant in the world. Kingston has nine coal-fired generating units. The winter net dependable generating capacity is 1,456 megawatts. The plant consumes some 14,000 tons of coal a day.

Electricity is produced at each of Kingston's nine coal-fired units by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Kingston generates about 10 billion kilowatt-hours of electricity a year, enough to supply more than 700,000 homes. To reduce sulfur dioxide (SO<sub>2</sub>) emissions, all nine units use a blend of low-sulfur coal. Scrubbers are being added to the units to further reduce SO<sub>2</sub>. This project cost about \$500 million. TVA spent about \$6 billion on emissions controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.

*Source:* Tennessee Valley Authority.

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

*Source:* Tennessee Valley Authority.

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## MANUFACTURING AND COMMERCE

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

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

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

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

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

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

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



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

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

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

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

*Source:* Knoxville News Sentinel.

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Listed below are the larger employers located in the County:

**Major Employers in Anderson County<sup>1</sup>**

<u>Name</u>	<u>Product</u>	<u>Employment</u>
Y-12 National Security Complex	National Security	4,800
Oak Ridge National Lab <sup>2</sup>	National Security	4,559
UCOR	Environmental Management	1,645
SamLip (SL) Tennessee	Manufacturing	1,450
Methodist Medical Center	Health Care	1,175
UPF Uranium Processing Facility	National Security	1,100
Anderson County Schools	Education	1,050
Oak Ridge Associated Universities	Research & Development	1,046
Eagle Bend Manufacturing	Manufacturing	850
Aisin Automotive Casting	Automotive Parts	820
SiTel	Customer Service Centers	700
Oak Ridge Schools	Education	660
Anderson County	Government	515
Science Applications, Int'l. Corp.	IT Research & Engineering	443
Y-12 National Security Complex	National Security	4,800
Oak Ridge National Lab <sup>2</sup>	National Security	4,559

<sup>1</sup> Contains employers located in both the counties the City of Oak Ridge lies in.

<sup>2</sup> ORNL is a joint venture of University of Tennessee and Battelle

Source: Knoxville News Sentinel, Anderson County Audit and the City of Oak Ridge – 2018.

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## EMPLOYMENT INFORMATION

For the month of September 2018, the unemployment rate for Oak Ridge stood at 3.7% with 13,720 persons employed out of a labor force of 14,250. For the month of September 2018, the unemployment rate for Anderson County stood at 4.0% with 32,840 persons employed out of a labor force of 34,200.

The Knoxville MSA's unemployment for September 2018 was at 3.5% with 404,270 persons employed out of a labor force of 418,850. As of September 2018, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 3.5%, representing 519,000 persons employed out of a workforce of 537,890.

	<b>Unemployment</b>				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
<b>Oak Ridge</b>	<b>7.6%</b>	<b>6.2%</b>	<b>5.3%</b>	<b>4.6%</b>	<b>3.6%</b>
Index vs. National	103	100	100	94	82
Index vs. State	97	94	95	98	97
<b>Anderson County</b>	<b>7.9%</b>	<b>6.8%</b>	<b>5.8%</b>	<b>4.9%</b>	<b>3.9%</b>
Index vs. National	107	110	109	100	89
Index vs. State	101	103	104	104	105
<b>Knoxville MSA</b>	<b>7.2%</b>	<b>6.1%</b>	<b>5.2%</b>	<b>4.4%</b>	<b>3.5%</b>
Index vs. National	97	98	98	90	80
Index vs. State	92	92	93	94	95
<b>Knoxville-Sevierville- Harriman CSA</b>	<b>7.6%</b>	<b>6.4%</b>	<b>5.5%</b>	<b>4.6%</b>	<b>3.7%</b>
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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	\$44,826	\$47,025	\$48,940	\$49,831	\$51,640
Tennessee	\$39,549	\$40,977	\$42,810	\$43,932	\$45,517
<b>Anderson County</b>	<b>\$36,252</b>	<b>\$37,534</b>	<b>\$38,686</b>	<b>\$39,883</b>	<b>\$40,847</b>
Index vs. National	81	80	79	80	79
Index vs. State	92	92	90	91	90
<b>Knoxville MSA</b>	<b>\$38,267</b>	<b>\$39,816</b>	<b>\$41,611</b>	<b>\$42,547</b>	<b>\$43,903</b>
Index vs. National	85	85	85	85	85
Index vs. State	97	97	97	97	96
<b>Knoxville-Sevierville-Harriman CSA</b>	<b>\$36,786</b>	<b>\$38,233</b>	<b>\$39,953</b>	<b>\$40,847</b>	<b>\$42,102</b>
Index vs. National	82	81	82	82	82
Index vs. State	93	93	93	93	92

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

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Anderson County</u>	<u>Clinton</u>	<u>Oak Ridge</u>
Median Value Owner Occupied Housing	\$184,700	\$146,000	\$132,300	\$150,000	\$149,900
% High School Graduates or Higher Persons 25 Years Old and Older	87.0%	86.0%	85.5%	86.1%	92.4%
% Persons with Income Below Poverty Level	12.3%	15.0%	15.3%	15.0%	15.9%
Median Household Income	\$55,322	\$46,574	\$44,241	\$41,078	\$55,322

Source: U.S. Census Bureau State & County QuickFacts - 2017.

## TOURISM AND RECREATION

*American Museum of Science and Energy.* Drawing thousands of visitors from across the United States and abroad are the American Museum of Science and Energy and the Oak Ridge Graphite Reactor. More than 225,000 persons visit the Museum annually. The museum opened in 1949 in an old wartime cafeteria of the ORNL. Its guided tours took visitors through the peaceful uses of atomic energy. The present facility, opened in 1975, continues to provide the general public

with energy information. The museum includes historical photographs, documents and artifacts explaining the story of Oak Ridge and the Manhattan Project. There is an Exploration Station that offers self-directed activities which explore light and color, sound, problem-solving, static electricity, robotics, vision and more. It also includes exhibits on Y-12 and National Defense, the Earth's energy resources and nuclear reactors and energy.

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

*Source:* American Museum of Science and Energy.

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

*Source:* Forest Resources Research and Education Center.

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

*Source:* Tennessee Valley Authority.

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

*Norris Reservoir.* Norris Reservoir extends 73 miles up the Clinch River and 56 miles up the Powell from Norris Dam. It covers 5 counties: Anderson, Campbell, Union, Claiborne and Grainger

Counties. Norris provides 809 miles of shoreline and 33,840 acres of water surface. It is the largest reservoir on a tributary of the Tennessee River. Norris Reservoir is an important component of the system TVA set up to reduce the risks of these disasters. The recreational use of Norris Reservoir exceeds that of any other tributary reservoir in the TVA river system. Water sports at Norris include boating, water skiing, swimming, and excellent fishing.

*Source:* Tennessee Valley Authority.

*Watts Bar Reservoir.* TVA's Watts Bar Dam is located along the Meigs and Rhea County line on the Tennessee River. Watts Bar Reservoir extends 72.4 miles northeast from the Dam to Fort Loudoun Dam through Rhea, Meigs, Roane and Loudon Counties. Watts Bar is one of nine TVA dams on the Tennessee River. The reservoir attracts millions of recreational visits each year for boating, fishing, swimming, camping, and other outdoor activities. Watts Bar also creates a slack-water channel for navigation more than 20 miles up the Clinch River and 12 miles up its tributary, the Emory. The lock at Watts Bar handles more than a million tons of cargo a year, and the reservoir plays an important role in flood control.

*Source:* Tennessee Valley Authority.

## **OTHER DEVELOPMENTS**

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

*General Aviation Airport.* The establishment of a new general aviation airport located in the East Tennessee Technology Park in Oak Ridge on the Roane County side is currently under review. The Metropolitan Knoxville Airport Authority (the "MCAA") will own and manage the new facility. MCAA also owns and maintains the regional commercial air service facility, McGhee Tyson Airport in Alcoa, which is about 25 miles from the City. The East Tennessee Technology Park is located at the former K-25 site located at the ORNL. The estimated cost for the project as of January 2018 is between \$40 - \$45 million.

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

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

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

*Oak Ridge National Laboratory.* ORNL is in the final stages of a \$300 million project to provide a modern campus for the next generation of great science. A unique combination of federal, state and private funds is building 13 new facilities. Included in these new facilities will be the Laboratory for Comparative and Functional Genomics, the Center for Nanophase Materials Sciences, the Advanced Microscopy Laboratory, the Oak Ridge Center for Advanced Studies and the joint institutes for computational sciences, biological sciences, and neutron sciences. ORNL has been selected as the site of the Office of Science's National Leadership Computing Facility for unclassified high-performance computing.

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

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

*Uranium Processing Facility (the "UPF").* The UPF project is being built through a series of seven sub-projects. Two have already been completed under budget and two are currently under construction. The salvage and accountability building, a process support facility and the UPF's 240,000 square-foot main process building were the last of seven sub-projects to receive DOE approval. The main process building will house the facility's primary stockpile maintenance function: recycling uranium from old nuclear warheads to maintain the current arsenal. The designs reached the 90 percent completion milestone in September 2017. The National Nuclear Security Administration (NNSA) said the Uranium Processing Facility will use a "safer, cleaner and more efficient" process to modernize uranium warheads. President Trump signed a \$1.3 trillion government spending bill in March of 2018 that allocated \$663 million for the facility's construction. The money allocated will help keep the construction on schedule for 2025 completion and under its \$6.5 billion budget cap.

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

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**ANDERSON COUNTY, TENNESSEE**  
**SUMMARY OF BONDED INDEBTEDNESS**

As of June 30, 2018

<b>AMOUNT ISSUED</b>	<b>PURPOSE (1)</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S)</b>	<b>AMOUNT OUTSTANDING</b>
\$ 1,700,000	Loan Agreement, Series 2001	May 2021	Variable	\$ 383,000
3,000,000	Loan Agreement, Series 2006	May 2025	Variable	1,311,000
2,450,000	General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds)	May 2028	Fixed	1,500,000
1,750,000	General Obligation Refunding Bonds, Series 2011A	May 2019	Fixed	305,000
14,750,000	General Obligation Bonds, Series 2011D	May 2029	Fixed	7,100,000
8,030,000	General Obligation Refunding Bonds, Series 2017	May 2035	Fixed	7,980,000
1,400,000	General Obligation Capital Outlay Notes, Series 2017A	June 2029	Fixed	1,300,000
2,000,000	(2) Rural Elementary School Bonds, Series 2011E	May 2031	Fixed	1,825,000
352,931	(2) Rural Elementary School Loan, Series 010-002 (EESI)	2022	Fixed	147,061
4,505,215	(2) Rural Elementary School Loan, Series 2014A	May 2031	Fixed	3,810,000
6,310,000	(2) Rural Elementary School Refunding Bonds, Series 2018A	May 2026	Fixed	6,310,000
8,000,000	(3) Rural High School Bonds, Series 2011F	May 2031	Fixed	7,360,000
5,180,000	(3) Rural High School Loan, Series 2014B	May 2031	Fixed	4,335,000
1,200,000	(3) Rural High School Note, Series 2016	April 2019	Fixed	420,000
4,770,000	(3) Rural High School Refunding Bonds, Series 2018B	May 2025	Fixed	4,770,000
489,502	(4) Energy Efficient Note, Series 2011	November 2021	Fixed	167,252
352,931	(4) Energy Efficient Note, Series 2012	August 2022	Fixed	147,070
957,236	(4) Capital Lease, Series 2003	December 2020	Fixed	246,477
<b>\$ 67,197,815</b>	<b>TOTAL BONDED DEBT (1)</b>			<b>\$ 49,416,860</b>
\$ 5,620,000	(2) Rural Elementary School Bonds, Series 2019A	May 2039	Fixed	\$ 5,620,000
5,280,000	(3) Rural High School Bonds, Series 2019B	May 2039	Fixed	5,280,000
<b>\$ 78,097,815</b>	<b>NET BONDED DEBT</b>			<b>\$ 60,316,860</b>

**NOTES:**

(1) The above figures do not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report". Excludes USDA Loan of \$125,000 payable from the Public Library Fund (\$118,455 outstanding) or \$223,225 Note payable through Ambulance Service Fund (\$163,000 outstanding) or \$501,365 Capital Lease for Phone System payable from General Debt Service Fund (\$234,006 outstanding).

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

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

(4) Payable from General Purpose School Fund.

**ANDERSON COUNTY, TENNESSEE**  
Indebtedness and Debt Ratios

**INTRODUCTION**

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

	For the Fiscal Year Ended June 30					After Issuance
	2014	2015	2016	2017	2018	
<b>INDEBTEDNESS</b>						
<b>TAX SUPPORTED</b>						
G.O. Bonds & Notes - County-Wide and Schools	\$22,002,741	\$21,368,727	\$20,402,997	\$21,549,724	\$20,439,799	\$20,439,799
G.O. Bonds - Rural Elementary School	16,320,215	15,475,000	14,565,000	13,812,353	12,092,061	17,712,061
G.O. Bonds - Rural High School	20,940,000	20,020,000	20,225,000	18,832,000	16,885,000	22,165,000
<b>TOTAL TAX SUPPORTED</b>	<b>59,262,956</b>	<b>56,863,727</b>	<b>55,192,997</b>	<b>54,194,077</b>	<b>49,416,860</b>	<b>60,316,860</b>
<b>TOTAL DEBT</b>	<b>59,262,956</b>	<b>56,863,727</b>	<b>55,192,997</b>	<b>54,194,077</b>	<b>49,416,860</b>	<b>60,316,860</b>
Less: D.S. Fund - County-Wide						
Less: D.S. Fund - Rural Elementary School	(2,755,631)	(2,981,887)	(3,133,536)	(3,306,294)	(3,306,294)	(3,306,294)
(Includes Notes Due to Fund)	(12,376)	(60,433)	(86,842)	(370,959)	(370,959)	(370,959)
Less: D.S. Fund - Rural High School (Includes Notes Due to Fund)	(2,256,378)	(1,755,208)	(1,654,410)	(1,239,027)	(1,239,027)	(1,239,027)
<b>NET DIRECT DEBT</b>	<b>54,250,947</b>	<b>52,126,632</b>	<b>50,405,051</b>	<b>49,648,756</b>	<b>44,871,539</b>	<b>55,771,539</b>
<b>OVERLAPPING DEBT - (1)</b>	<b>93,188,335</b>	<b>100,214,617</b>	<b>74,661,052</b>	<b>71,170,154</b>	<b>81,584,607</b>	<b>81,584,607</b>
<b>NET DIRECT &amp; OVERLAPPING DEBT</b>	<b>147,439,282</b>	<b>152,341,249</b>	<b>125,066,103</b>	<b>120,818,911</b>	<b>126,456,147</b>	<b>137,356,147</b>
<b>PROPERTY TAX BASE</b>						
County-Wide						
Estimated Actual Value	\$ 5,720,496,455	\$ 5,715,272,032	\$ 5,473,537,110	\$ 5,611,802,105	\$ 5,985,637,163	\$ 5,985,637,163
Estimated Appraised Value	5,720,496,455	5,715,272,032	5,473,537,110	5,611,802,105	5,661,814,192	5,661,814,192
Estimated Assessed Value	1,647,794,297	1,648,263,620	1,589,995,204	1,636,077,168	1,652,342,035	1,652,342,035
Rural Elementary School - (2)						
Estimated Actual Value	\$ 2,455,217,421	\$ 2,457,662,008	\$ 2,280,022,069	\$ 2,292,182,241	\$ 2,448,284,107	\$ 2,448,284,107
Estimated Appraised Value	2,455,217,421	2,457,662,008	2,280,022,069	2,292,182,241	2,315,831,937	2,315,831,937
Estimated Assessed Value	655,154,586	656,457,495	611,592,164	614,500,212	621,609,396	621,609,396
Rural High School - (3)						
Estimated Actual Value	\$ 3,533,921,985	\$ 3,535,769,809	\$ 3,359,814,636	\$ 3,488,284,838	\$ 3,724,251,381	\$ 3,724,251,381
Estimated Appraised Value	3,533,921,985	3,535,769,809	3,359,814,636	3,488,284,838	3,522,769,381	3,522,769,381
Estimated Assessed Value	991,666,247	992,798,568	949,574,167	992,512,938	1,002,759,865	1,002,759,865

(1) OVERLAPPING DEBT includes that portion of debt incurred by the Cities of Clinton and portions of Oak Ridge, Oliver Springs and Rocky Top in Anderson County.

(2) Includes only property located outside the corporate limits of the Cities of Clinton and Oak Ridge.

(3) Includes only property located outside the corporate limits of the City of Oak Ridge.

<i><b>DEBT RATIOS - COUNTY-WIDE</b></i>	For the Fiscal Year Ended June 30					Unaudited <b>2018</b>	After Issuance <b>2019</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>		
TOTAL DEBT to Estimated Actual Value	1.04%	0.99%	1.01%	0.97%	0.83%	1.01%	
TOTAL DEBT to Appraised Value	1.04%	0.99%	1.01%	0.97%	0.87%	1.07%	
TOTAL DEBT to Assessed Value	3.60%	3.45%	3.47%	3.31%	2.99%	3.65%	
NET DIRECT DEBT to Estimated Actual Value	0.95%	0.91%	0.92%	0.88%	0.75%	0.93%	
NET DIRECT DEBT to Appraised Value	0.95%	0.91%	0.92%	0.88%	0.79%	0.99%	
NET DIRECT DEBT to Assessed Value	3.29%	3.16%	3.17%	3.03%	2.72%	3.38%	
OVERLAPPING DEBT to Estimated Actual Value	1.63%	1.75%	1.36%	1.27%	1.36%	1.36%	
OVERLAPPING DEBT to Appraised Value	1.63%	1.75%	1.36%	1.27%	1.44%	1.44%	
OVERLAPPING DEBT to Assessed Value	5.66%	6.08%	4.70%	4.35%	4.94%	4.94%	
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	2.58%	2.67%	2.28%	2.15%	2.11%	2.29%	
NET DIRECT & OVERLAPPING DEBT to Appraised Value	2.58%	2.67%	2.28%	2.15%	2.23%	2.43%	
NET DIRECT & OVERLAPPING DEBT to Assessed Value	8.95%	9.24%	7.87%	7.38%	7.65%	8.31%	
<b><u>PER CAPITA RATIOS - COUNTY-WIDE</u></b>							
POPULATION (1)	75,468	75,528	75,749	76,257	76,257	76,257	
PER CAPITA PERSONAL INCOME (2)	\$37,534	\$38,686	\$39,883	\$40,847	\$40,847	\$40,847	
Estimated Actual Value to POPULATION	75,800	75,671	72,259	73,591	78,493	78,493	
Assessed Value to POPULATION	21,834	21,823	20,990	21,455	21,668	21,668	
TOTAL DEBT to POPULATION	785	753	729	711	648	791	
NET DIRECT DEBT to POPULATION	719	690	665	651	588	731	
OVERLAPPING DEBT to POPULATION	1,235	1,327	986	933	1,070	1,070	
NET DIRECT & OVERLAPPING DEBT to POPULATION	1,954	2,017	1,651	1,584	1,658	1,801	
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	28.93%	28.89%	27.71%	28.13%	28.41%	28.41%	
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	1.04%	1.00%	0.96%	0.93%	0.85%	1.04%	
OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	3.29%	3.43%	2.47%	2.28%	2.62%	2.62%	
NET DIRECT & OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	5.21%	5.21%	4.14%	3.88%	4.06%	4.41%	

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

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

	For the Fiscal Year Ended June 30					Unaudited 2018	After Issuance 2019
	2014	2015	2016	2017	2018		
<b>DEBT RATIOS -</b>							
<b>RURAL ELEMENTARY SCHOOL</b>							
TOTAL DEBT to Estimated Actual Value	0.66%	0.63%	0.64%	0.60%	0.49%	0.72%	
TOTAL DEBT to Appraised Value	0.66%	0.63%	0.64%	0.60%	0.52%	0.76%	
TOTAL DEBT to Assessed Value	2.49%	2.36%	2.38%	2.25%	1.95%	2.85%	
NET DIRECT DEBT to Estimated Actual Value	0.66%	0.63%	0.64%	0.59%	0.48%	0.71%	
NET DIRECT DEBT to Appraised Value	0.66%	0.63%	0.64%	0.59%	0.51%	0.75%	
NET DIRECT DEBT to Assessed Value	2.49%	2.35%	2.37%	2.19%	1.89%	2.79%	
<b>PER CAPITA RATIOS -</b>							
<b>RURAL ELEMENTARY SCHOOL</b>							
POPULATION (1)	36,276	36,177	36,398	37,058	37,058	37,058	
PER CAPITA PERSONAL INCOME (2)	\$37,534	\$38,686	\$39,883	\$40,847	\$40,847	\$40,847	
Estimated Actual Value to POPULATION	67,682	67,934	62,641	61,854	66,066	66,066	
Assessed Value to POPULATION	67,682	67,934	62,641	61,854	62,492	62,492	
TOTAL DEBT to POPULATION	450	428	400	373	326	478	
NET DIRECT DEBT to POPULATION	450	426	398	363	316	468	
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.20%	1.11%	1.00%	0.91%	0.80%	1.17%	
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	1.20%	1.10%	1.00%	0.89%	0.77%	1.15%	

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

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

<b>DEBT RATIOS - RURAL HIGH SCHOOL</b>	<b>For the Fiscal Year Ended June 30</b>					<b>Unaudited 2018</b>	<b>After Issuance 2019</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>		
TOTAL DEBT to Estimated Actual Value	0.59%	0.57%	0.60%	0.54%	0.45%	0.60%	
TOTAL DEBT to Appraised Value	0.59%	0.57%	0.60%	0.54%	0.48%	0.63%	
TOTAL DEBT to Assessed Value	2.11%	2.02%	2.13%	1.90%	1.68%	2.21%	
NET DIRECT DEBT to Estimated Actual Value	0.53%	0.52%	0.55%	0.50%	0.42%	0.56%	
NET DIRECT DEBT to Appraised Value	0.53%	0.52%	0.55%	0.50%	0.44%	0.59%	
NET DIRECT DEBT to Assessed Value	1.88%	1.84%	1.96%	1.77%	1.56%	2.09%	
<b><u>PER CAPITA RATIOS - RURAL HIGH SCHOOL</u></b>							
POPULATION (1)	46,165	46,226	46,447	47,161	47,161	47,161	
PER CAPITA PERSONAL INCOME (2)	\$37,534	\$38,686	\$39,883	\$40,847	\$40,847	\$40,847	
Estimated Actual Value to POPULATION	76,550	76,489	72,337	73,965	78,969	78,969	
Assessed Value to POPULATION	76,550	76,489	72,337	73,965	74,697	74,697	
TOTAL DEBT to POPULATION	454	433	435	399	358	470	
NET DIRECT DEBT to POPULATION	405	395	400	373	332	444	
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.21%	1.12%	1.09%	0.98%	0.88%	1.15%	
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	1.08%	1.02%	1.00%	0.91%	0.81%	1.09%	

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

**ANDERSON COUNTY, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS**

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

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)				% Total Principal Repaid
	Principal	Interest (2)	Treasury Rebate	TOTAL	
2019	\$ 969,000	\$ 658,765	\$ (25,725)	\$ 1,602,040	4.87%
2020	985,000	623,450	(23,837)	1,584,613	
2021	1,003,000	587,154	(21,805)	1,568,349	
2022	1,038,000	552,766	(19,600)	1,571,166	
2023	1,098,000	516,157	(17,063)	1,597,095	25.62%
2024	1,137,000	477,655	(14,525)	1,600,130	
2025	1,181,000	437,692	(11,900)	1,606,792	
2026	1,209,000	396,248	(9,188)	1,596,061	
2027	1,243,000	348,834	(6,248)	1,585,587	
2028	1,306,000	299,864	(3,216)	1,602,648	56.18%
2029	1,235,000	248,298	-	1,483,298	
2030	1,160,000	201,825	-	1,361,825	
2031	1,195,000	170,505	-	1,365,505	
2032	1,225,000	138,240	-	1,363,240	
2033	1,265,000	105,165	-	1,370,165	86.77%
2034	1,300,000	71,010	-	1,371,010	
2035	1,330,000	35,910	-	1,365,910	100.00%
	<u>\$ 19,879,000</u>	<u>\$ 5,869,535</u>	<u>\$ (153,105)</u>	<u>\$ 25,595,430</u>	

**NOTES:**

(1) The above figures do not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report". Excludes USDA Loan of \$125,000 payable from the Public Library Fund (\$118,455 outstanding) or \$223,225 Note payable through Ambulance Service Fund (\$163,000 outstanding) or \$501,365 Capital Lease for Phone System payable from General Debt Service Fund (\$234,006 outstanding).

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

**ANDERSON COUNTY, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS**  
Rural Elementary School Debt - Excludes General Debt Service and Rural High School Debt

F.Y. Ended 6/30	Existing Debt as of June 30, 2018 (1)		Rural Elementary School Bonds, Series 2019A		% 2019A		Total Bonded Debt Service Requirements (1)		% All Principal Repaid
	Principal	Interest	Principal	Interest(2)	Principal Repaid	TOTAL	Principal	Interest	
2019	\$ 895,292	\$ 513,741	\$ -	\$ -	0.00%	\$ -	\$ 895,292	\$ 513,741	5.05%
2020	965,292	444,900	155,000	234,633		389,633	1,120,292	679,533	
2021	990,292	410,450	200,000	191,938		391,938	1,190,292	602,388	
2022	1,025,292	367,700	210,000	181,938		391,938	1,235,292	549,638	
2023	1,035,893	323,200	220,000	171,438	13.97%	391,438	1,255,893	494,638	32.16%
2024	1,070,000	276,700	230,000	160,438		390,438	1,300,000	437,138	
2025	1,115,000	228,200	240,000	148,938		388,938	1,355,000	377,138	
2026	1,160,000	177,450	250,000	136,938		386,938	1,410,000	314,388	
2027	725,000	124,200	265,000	124,438		389,438	990,000	248,638	
2028	740,000	100,513	270,000	119,138	36.30%	389,138	1,010,000	219,650	66.41%
2029	775,000	77,800	280,000	111,038		391,038	1,055,000	188,838	
2030	785,000	52,425	285,000	102,638		387,638	1,070,000	155,063	
2031	810,000	26,650	295,000	94,088		389,088	1,105,000	120,738	
2032	-	-	305,000	85,238		390,238	305,000	85,238	
2033	-	-	315,000	76,088	62.63%	391,088	315,000	76,088	88.14%
2034	-	-	325,000	66,638		391,638	325,000	66,638	
2035	-	-	335,000	56,888		391,888	335,000	56,888	
2036	-	-	345,000	46,838		391,838	345,000	46,838	
2037	-	-	355,000	36,056		391,056	355,000	36,056	
2038	-	-	365,000	24,519	93.33%	389,519	365,000	24,519	97.88%
2039	-	-	375,000	12,656	100.00%	387,656	375,000	12,656	100.00%
	<b>\$ 12,092,061</b>	<b>\$ 3,123,928</b>	<b>\$ 5,620,000</b>	<b>\$ 2,182,514</b>		<b>\$ 7,802,514</b>	<b>\$ 17,712,061</b>	<b>\$ 5,306,443</b>	
									<b>\$ 23,018,504</b>

**NOTES:**

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report".
- (2) Average Coupon 3.2714%.

**ANDERSON COUNTY, TENNESSEE**

**BONDED DEBT SERVICE REQUIREMENTS**

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

F.Y. Ended 6/30	Existing Debt as of June 30, 2018 (1)		Rural High School Bonds, Series 2019B		% 2019B		Total Bonded Debt Service Requirements (1)		% All Principal Repaid
	Principal	Interest	Principal	Interest (2)	Principal Repaid	Interest	Principal	Interest	
2019	\$ 1,390,000	\$ 657,878	\$ -	\$ -	0.00%	\$ -	\$ 1,390,000	\$ 657,878	6.27%
2020	1,035,000	591,825	135,000	246,875		381,875	1,170,000	838,700	2,008,700
2021	1,060,000	555,088	180,000	203,356		383,356	1,240,000	758,444	1,998,444
2022	1,105,000	510,950	185,000	194,356		379,356	1,290,000	705,306	1,995,306
2023	1,155,000	464,763	195,000	185,106	13.16%	380,106	1,350,000	649,869	1,999,869
2024	1,195,000	416,375	205,000	175,356		380,356	1,400,000	591,731	1,991,731
2025	1,235,000	366,088	215,000	165,106		380,106	1,450,000	531,194	1,981,194
2026	1,325,000	313,900	225,000	154,356		379,356	1,550,000	468,256	2,018,256
2027	1,375,000	266,213	240,000	143,106		383,106	1,615,000	409,319	2,024,319
2028	1,425,000	216,838	250,000	131,106		381,106	1,675,000	347,944	2,022,944
2029	1,475,000	165,463	260,000	121,106	34.66%	381,106	1,735,000	286,569	2,021,569
2030	1,525,000	112,400	270,000	110,706		380,706	1,795,000	223,106	2,018,106
2031	1,585,000	57,338	280,000	99,906		379,906	1,865,000	157,244	2,022,244
2032	-	-	290,000	88,706		378,706	290,000	88,706	378,706
2033	-	-	305,000	77,106	61.27%	382,106	305,000	77,106	382,106
2034	-	-	315,000	64,906		379,906	315,000	64,906	379,906
2035	-	-	325,000	55,456		380,456	325,000	55,456	380,456
2036	-	-	335,000	45,706		380,706	335,000	45,706	380,706
2037	-	-	345,000	35,238		380,238	345,000	35,238	380,238
2038	-	-	355,000	24,025	92.99%	379,025	355,000	24,025	379,025
2039	-	-	370,000	12,488	100.00%	382,488	370,000	12,488	382,488
	<b>\$ 16,885,000</b>	<b>\$ 4,695,116</b>	<b>\$ 21,580,116</b>	<b>\$ 2,334,075</b>		<b>\$ 7,614,075</b>	<b>\$ 22,165,000</b>	<b>\$ 7,029,191</b>	<b>\$ 29,194,191</b>

**NOTES:**

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

(2) Average Coupon 3.6607%.



**ANDERSON COUNTY, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS**  
 General Debt Service - Paid by General Purpose School Fund  
 As of June 30, 2017

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1) & (2)			% Principal Repaid
	Principal	Interest	TOTAL	
2019	\$ 185,856	\$ 27,605	\$ 213,461	33.14%
2020	199,222	16,224	215,446	68.67%
2021	114,119	3,346	117,465	89.02%
2022	55,709	-	55,709	98.95%
2023	5,893	-	5,893	100.00%
	<u>\$ 560,799</u>	<u>\$ 47,176</u>	<u>\$ 607,975</u>	

**NOTES:**

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

(2) Includes a Headstart Facilities Capital Lease due through December 1, 2020 outstanding in the amount of \$246,477.

## FINANCIAL INFORMATION

### INTRODUCTION

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

### BASIS OF ACCOUNTING AND PRESENTATION

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

Proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The reserve method is used to estimate the allowance for doubtful accounts for ambulance service receivables.

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## FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

<b><u>For the Fiscal Year Ended June 30,</u></b>					
<b><u>Fund Type</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b>UNAUDITED <u>2018</u></b>
<i>Governmental Funds:</i>					
General	\$ 7,858,162	\$ 9,217,686	\$10,485,984	\$ 9,985,258	\$12,034,803
Highway/Public Works	2,447,654	2,223,952	3,508,655	3,107,083	3,581,239
Ambulance Service	-	-	-	-	(612,529)
Other Governmental	<u>7,164,293</u>	<u>6,954,548</u>	<u>7,144,106</u>	<u>8,139,840</u>	<u>6,479,137</u>
<b>Total</b>	<b><u>\$17,470,109</u></b>	<b><u>\$18,396,186</u></b>	<b><u>\$21,138,745</u></b>	<b><u>\$21,232,181</u></b>	<b><u>\$21,482,650</u></b>
<i>Proprietary Net Assets:</i>					
Ambulance Service Fund*	\$1,401,323	\$1,365,780	\$ 908,334	\$ 559,610	-
Internal Service Fund	<u>494,068</u>	<u>266,904</u>	<u>266,904</u>	<u>460,543</u>	<u>\$512,558</u>
<b>Total</b>	<b><u>\$1,895,391</u></b>	<b><u>\$1,632,684</u></b>	<b><u>\$1,175,238</u></b>	<b><u>\$1,020,153</u></b>	<b><u>\$512,558</u></b>

\* The Ambulance Service Fund was moved from the Proprietary Net Assets to the Governmental Funds in 2018.

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<b>UNAUDITED</b> <u>2018</u>
<b>Revenues:</b>					
Local Taxes	\$ 16,539,125	\$ 16,607,353	\$ 16,851,499	\$ 17,131,579	\$ 17,885,943
Licenses and Permits	443,118	398,036	304,082	352,987	334,894
Fines, forfeitures and penalties	452,513	387,588	396,915	438,440	343,025
Charges for current services	458,406	519,444	606,285	580,808	575,581
Other local revenue	835,605	580,379	551,722	564,349	479,814
Fees Recv'd from County Officials	4,059,132	3,919,202	3,979,478	3,935,125	3,779,542
State of Tennessee	2,542,515	2,784,301	2,519,605	2,220,400	3,270,521
Federal Government	944,038	485,960	558,706	895,730	523,325
Groups	63,171	50,857	151,359	120,256	118,683
<b>Total Revenues</b>	<u>\$ 26,337,623</u>	<u>\$ 25,733,120</u>	<u>\$ 25,919,651</u>	<u>\$ 26,239,674</u>	<u>\$ 27,311,328</u>
<b>Expenditures:</b>					
General Government	\$ 3,362,978	\$ 3,856,931	\$ 3,481,537	\$ 3,878,980	\$ 3,834,111
Finance	2,709,820	2,752,163	2,909,277	3,044,210	3,043,409
Administration of Justice	3,010,385	2,888,317	3,085,247	2,941,456	3,002,811
Public Safety	11,984,442	12,039,921	12,209,507	12,964,072	12,698,894
Public Health & Welfare	1,188,297	1,263,752	1,146,239	1,138,713	1,243,707
Social, Cultural & Recreational Services	43,000	43,000	92,163	103,005	127,341
Agricultural & Natural Resources	210,497	209,216	231,371	243,121	248,764
Other Operations	1,047,169	824,956	848,332	1,377,228	872,857
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	714,130	409,328	194,992	698,502	79,646
<b>Total Expenditures</b>	<u>\$ 24,270,718</u>	<u>\$ 24,287,584</u>	<u>\$ 24,198,665</u>	<u>\$ 26,389,287</u>	<u>\$ 25,151,540</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,066,905	\$ 1,445,536	\$ 1,720,986	\$ (149,613)	\$ 2,159,788
<b>Other Sources and Uses:</b>					
Note / Lease Proceeds	\$ -	\$ 501,365	\$ -	\$ -	\$ -
Proceeds from Sale of Capital Assets	2,993	1,650	7,928	12,775	5,668
Insurance Recovery	8,345	19,300	19,389	6,704	125,330
Operating Transfers - In	230,407	200,000	-	-	-
Operating Transfers - Out	(591,389)	(808,327)	(480,005)	(370,592)	(241,241)
<b>Total Other Sources &amp; Uses</b>	<u>\$ (349,644)</u>	<u>\$ (86,012)</u>	<u>\$ (452,688)</u>	<u>\$ (351,113)</u>	<u>\$ (110,243)</u>
Net Change in Fund Balances	\$ 1,717,261	\$ 1,359,524	\$ 1,268,298	\$ (500,726)	\$ 2,049,545
<b>Fund Balance July 1</b>	<u>6,140,901</u>	<u>7,858,162</u>	<u>9,217,686</u>	<u>10,485,984</u>	<u>9,985,258</u>
<b>Fund Balance June 30</b>	<u><u>\$ 7,858,162</u></u>	<u><u>\$ 9,217,686</u></u>	<u><u>\$ 10,485,984</u></u>	<u><u>\$ 9,985,258</u></u>	<u><u>\$ 12,034,803</u></u>

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

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

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

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

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

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

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

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

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

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

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

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

### ***County Taxation of Property***

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

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

## *Assessment of Property*

*County Assessments; County Board of Equalization.* The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 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 on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

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

### ***Valuation for Property Tax Purposes***

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

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

### ***Certified Tax Rate***

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



that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

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

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

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

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

### ***Tax Collection and Tax Lien***

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

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

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*Assessed Valuations.* According to the Tax Aggregate Report and the County, property in the County reflected a ratio of appraised value to true market value of 0.9459. The following table shows pertinent data for tax year 2017<sup>1</sup>.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$ 40,144,785	55%	\$ 91,824,034
Commercial and Industrial	507,872,560	40%	1,342,299,986
Personal Tangible	161,700,540	30%	565,365,950
Residential and Farm	<u>942,624,150</u>	25%	<u>3,986,147,193</u>
<b>Total</b>	<b><u>\$1,652,342,035</u></b>		<b><u>\$5,985,637,163</u></b>

Source: 2017 Tax Aggregate Report of Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2018 (Tax Year 2017) is \$1,652,342,035 compared to \$1,636,077,168 for the fiscal year ending June 30, 2017 (Tax Year 2016). The estimated actual value of all taxable property for Tax Year 2017 is \$5,985,637,163 compared to \$5,611,802,105 for Tax Year 2016.

*Property Tax Rates and Collections - County-Wide.* 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 <sup>1</sup>	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2017	
						Amount	Pct
2013	\$1,647,794,297	\$2.529	\$40,226,997	\$37,697,807	93.7%	\$ 199,431	0.5%
2014	1,648,263,620	2.529	40,044,880	37,953,500	94.8%	359,409	0.9%
2015	1,589,995,204	2.7903	42,877,374	40,768,406	95.1%	574,965	1.3%
2016	1,636,077,168	2.7903	44,203,194	41,919,681	94.8%	2,283,513	5.2%
2017	1,652,342,035	2.7903	46,105,300*	<b>IN PROCESS</b>			

\* Estimated

<sup>1</sup> 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 City were as follows:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Taxes Levied</u>
1. Samlip Tennessee	Automotive	\$ 37,361,701	\$1,030,773
2. Oak Ridge Project (Y-12)	Manufacturing	36,006,346	934,185
3. Magna International	Manufacturing	18,712,166	516,250
4. Aisin Automotive	Automotive	15,399,275	424,851
5. Summit Properties	Real Estate	13,439,260	371,391
6. R&R Properties	Real Estate	11,958,480	310,263
7. Methodist Medical Center	Hospital	11,308,320	294,202
8. Wal-Mart	Retail	9,592,267	258,013
9. General Motors LLC	Automotive	9,206,260	253,992
10. Bell South	Telecommunications	<u>9,285,520</u>	<u>250,946</u>
<b>TOTAL</b>		<b><u>\$172,269,595</u></b>	<b><u>\$4,644,866</u></b>

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

## **PENSION PLANS**

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

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

## **UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

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

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**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**OF**  
**ANDERSON 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 Anderson County for the fiscal year ended June 30, 2017 which is available upon request from the County.



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**ANDERSON COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2017**



**DIVISION OF LOCAL GOVERNMENT AUDIT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**ANDERSON 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***  
***STEPHEN ALRED***  
***JACOB ROGERS***  
***GREG BRUSH, CISA***  
***State Auditors***

**Natalie Erb, CPA, CTP, Finance Director**

**This financial report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov)**



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## ANDERSON COUNTY, TENNESSEE

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# ***Summary of Audit Findings***

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

## ***Scope***

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

## ***Results***

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

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

## ***Findings***

The following is a summary of the audit findings:

### **OFFICE OF FINANCE DIRECTOR**

- ◆ The office had deficiencies in computer system backup procedures.
- 

### **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ The computer software application did not generate a report of outside direct payments.
-

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# INTRODUCTORY SECTION

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## ANDERSON COUNTY, TENNESSEE

### Letter of Transmittal

November 29, 2017

To the Honorable Terry Frank, County Mayor,  
Board of County Commissioners, and  
Citizens of Anderson County, Tennessee

The Comprehensive Annual Financial Report of Anderson County, Tennessee, for the year ended June 30, 2017, is hereby submitted as required by state statutes. These statutes require that all local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by the State of Tennessee's Comptroller of the Treasury, Division of Local Government Audit, or by independent public accountants within six months of the close of each fiscal year. Pursuant to that requirement, we hereby issue the comprehensive annual financial report for Anderson County, Tennessee. This report was prepared by the county's Finance Department in conjunction with the above state agency.

Management assumes full responsibility for the completeness and reliability of all the information contained in this report based upon a comprehensive internal control framework that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State of Tennessee's Comptroller of the Treasury, Division of Local Government Audit has issued an unmodified ("clean") opinion on the financial statements of Anderson County, Tennessee, for the fiscal year ended June 30, 2017. The independent auditor's report is presented at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the report of the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## Profile of the Government

Anderson County was established on November 6, 1801, by Private Act of the State of Tennessee. The county is named after Joseph Anderson, who was the U.S. senator from Tennessee at the time. The county is located in the eastern portion of the state. The bordering counties are Campbell (north), Union (northeast), Knox (southeast), Roane (southwest), Morgan (west), and Scott (northwest). Anderson County occupies a land area of approximately 345 square miles and serves a population of 75,936.

Anderson County operates as a political subdivision of the state as provided by the Tennessee Constitution. Anderson County, as a political subdivision of the state, is subject to control by the Tennessee General Assembly, and the county has no authority except that expressly given by state statutes. Anderson County is empowered to levy a property tax on both real and personal properties located within its boundaries.

Anderson County operates under a County Mayor – County Commission form of government since September 1, 1980. The Anderson County Commission consists of a 16-member board elected in eight districts within the county. Policymaking and legislative authority is vested in the Anderson County Commission. The County Commission is responsible for various tasks, including but not limited to, adopting the annual budget, setting the property tax levy, appointing various board and committees, and passing local ordinances. The County Mayor is popularly elected for a four-year term and is the county's chief executive officer. The County Mayor is responsible for carrying out policies and ordinances of the County Commission, overseeing the day-to-day operations of the government, appointing or recommending for appointment various department heads. In addition, the County Mayor serves as an ex-officio member of the County Commission and as a member of several boards, committees and commissions.

Anderson County provides a full range of essential services, including police and fire protection; solid waste disposal; emergency medical services, emergency management planning; and construction and maintenance of highways, streets, and other infrastructure. Anderson County also is financially responsible for a legally separate school district, which is reported separately within its financial statements. Additional information on this legally separate entity along with the county's other discretely presented component units can be found in Note I.A. in the notes to the financial statements.

Anderson County is required to adopt an annual budget in compliance with state statutes. The annual budget serves as the foundation for Anderson County's financial planning and control. As required, each department submits an itemized statement of appropriations needed for the upcoming year to the Director of Finance. Each fiscal year, the Director of Finance submits a consolidated budget to the Budget Committee. According to the *Tennessee Code Annotated §§ 5-21-110 & 111*, the Budget Committee shall vote to approve or reject the proposed budgets for all departments, offices and agencies. After approval by the Budget Committee, the recommended budget is published in a paper of general circulation and holds a public hearing, including the budget appropriation resolution and

the tax levy resolution. The proposed budget and resolutions are presented to County Commission for adoption before seeking approval from the state.

## **Local Economy**

Anderson County is centrally located in the eastern United States, the county is adjacent to thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States.

The county's largest employers are U.S. Department of Energy (DOE)/Consolidated Nuclear Security (CNS), Anderson County Government, and Tennessee Department of Human Services. The DOE Oak Ridge Reservation, which includes the CNS-Y-12 National Security, is located in Anderson County. These DOE facilities are vital to the nation's scientific research and development, environmental remediation and weapons disarmament, and the development of alternative types of energy and materials. Over 50% of the county's workforce is employed by the top ten employers.

Anderson County is home to such diverse companies as Clayton Homes, Pharma Packaging Solutions, Techmer PM, Mag USA Inc., Energy Solutions, Powder Cote II, Remotec, Navarro Research and Engineering, and Leidos. Anderson County is also home to two of the top ten global automotive companies, Eagle Bend Manufacturing and Aisin Automotive as well as automotive giant SL Tennessee.

The unemployment rate in Anderson County fell to a ten-year low of 4.6%. The median household income is \$42,880 in the county compared to \$45,219 for the state. The positive trends of low interest rates, increased government spending, and good consumer spending will enable Anderson County to remain an attractive location for future economic development.

Recent surveys indicate that although government funded operations are still a strong factor in the local economy, service and manufacturing related employment are also important. One of the area's strengths is its high percentage of precision craft and repair workers and technicians. Over 60% of Anderson County's population is in the labor work force age group of 18 to 64.

## **Long-term Financial Planning and Major Initiatives**

Anderson County continues to work hard to keep new debt issues to a minimum. During fiscal year 2017, the county did an advanced bond refinancing on \$8,030,000 existing debt with savings exceeding 6%, \$500,000, over the life of the bonds, but will not extend the maturity dates of the debt. The county also issued a \$1,400,000 capital outlay note for the purchase of a building for the senior citizen's center; renovations to the Daniel Arthur building for the relocation of the General Sessions Court II in Oak Ridge; and other capital needs with a useful life exceeding 12 years.

With growing economic concerns around the nation and globally, Anderson County is closely monitoring the unassigned fund balances and open to long-term financing options for large capital projects if conditions warrant. The county's minimum fund balance policy to require a two-thirds approval vote by the County Commission to spend down the fund balance below \$4 million. Anderson County maintains a credit rating of Aa2 from Moody's Investor Service, which was last upgraded in 2013. The county has a strong capacity to meet its financial commitments.

For the year ended June 30, 2017, the county drew down the unassigned fund balance of the General Fund by \$719,947 for unforeseen contingencies to a total of \$3,791,841. To draw the unassigned fund balance below \$4,000,000 required two-thirds (2/3) affirmative vote by County Commission.

Anderson County adopted the County Financial Management System of 1981 in February 2016. This local option law created a county financial management office. In May 2017, the county hired a certified public accountant as its director of finance. Financial Management Policies and Procedures were adopted by County Commission.

## **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Anderson County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-first consecutive year that Anderson County has achieved this prestigious award. To be awarded a Certificate of Achievement, the county had to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to conform to the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

The preparation of this report could not have been possible without the skill, effort and dedication of the entire Department of Finance. I would like to extend my sincerest gratitude to Robby Holbrook, Katherine Ajmeri, Randy Walters, Lydia Beckwith, Kevin Bowling, Royden Crocker, Sheila Davis, Zach Foster, Karen Holbrook, Paul Richardson, and Libby Smith. I would also like to thank the staff of the county's Information Technology Department for keeping our accounting system secure and operational. We also express our

appreciation to the County Mayor and County Commission for their interest, support, and leadership in the financial operations of the county.

Sincerely,

A handwritten signature in black ink that reads "Natalie Erb". The signature is written in a cursive style with a large, sweeping loop at the end of the word "Erb".

Natalie Erb, CPA, CTP  
Director of Finance





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

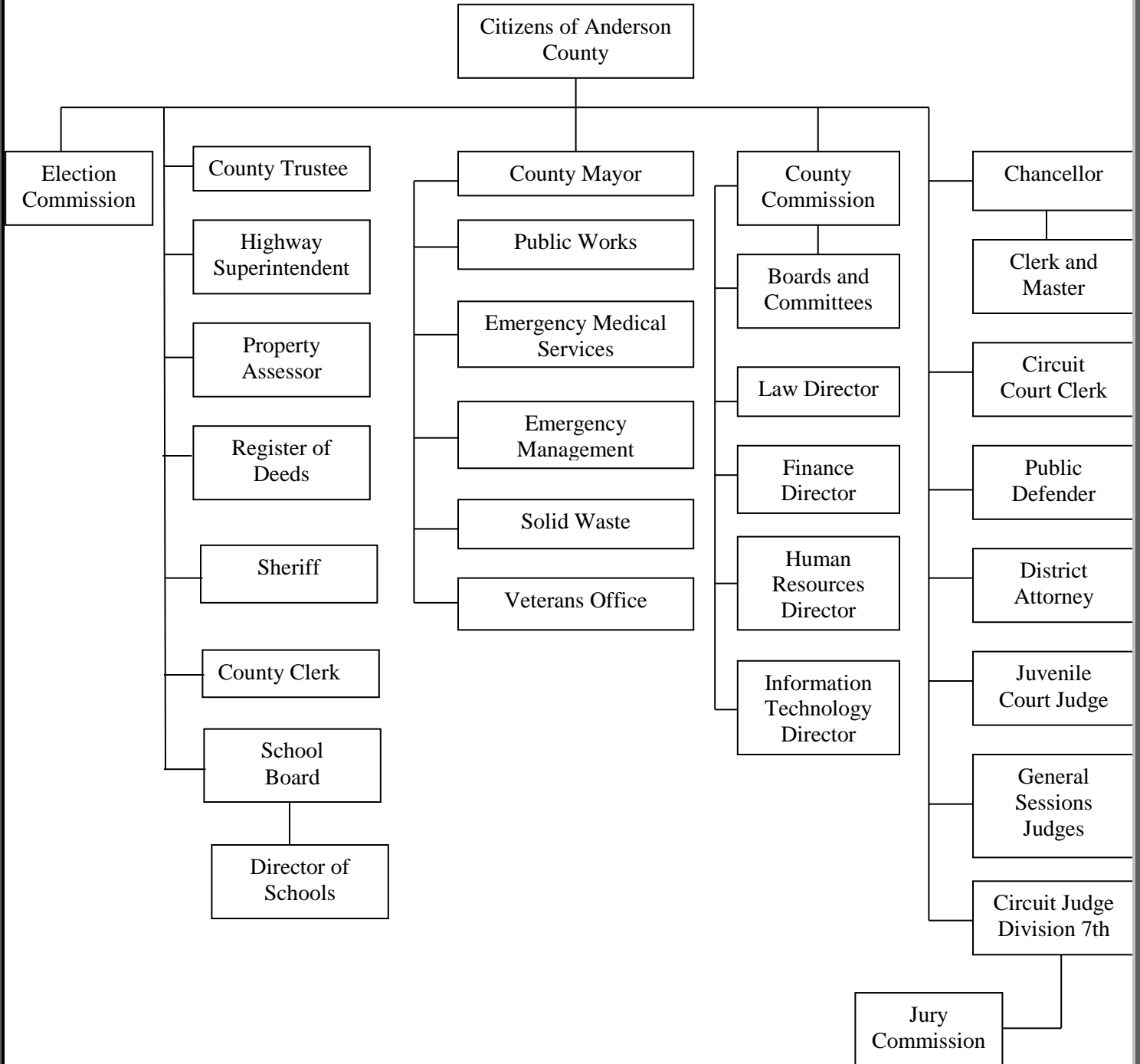
**Anderson County  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

## Anderson County, Tennessee Organization Chart



Anderson County Officials  
June 30, 2017

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**Officials**

Theresa Frank, County Mayor  
Gary Long, Highway Superintendent  
Tim Parrott, Director of Schools  
Rodney Archer, Trustee  
Johnny Alley, Assessor of Property  
Jeff Cole, County Clerk  
William Jones, Circuit, General Sessions, and Juvenile Courts Clerk  
Harold Cousins, Jr., Clerk and Master  
Tim Shelton, Register of Deeds  
Paul White, Sheriff  
Natalie Erb, CPA, CTP, Finance Director

**Board of County Commissioners**

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

**Financial Management Committee**

Myron Iwanski, Chairman	Chuck Fritts
Theresa Frank, County Mayor	Tim Isbel
Gary Long, Highway Superintendent	Phil Warfield
Tim Parrott, Director of Schools	

## Anderson County Officials (Cont.)

### **Board of Education**

Dr. John Burrell, Chairman  
Don Bell  
Dail Cantrell  
Scott Gillenwaters

Glenda Langenberg  
Andy McKamey  
Teresa Portwood  
Jo Williams

### **Audit Committee**

Myron Iwanski, Chairman  
Gail Cook  
Steve Emert  
Chuck Fritts

Steve Mead  
Whitey Hitchcock  
Phil Warfield

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## FINANCIAL SECTION

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STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Anderson County, Tennessee, as of and for the year ended June 30, 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 did not audit the financial statements of the Anderson County Emergency Communications District, which represent 3.1 percent, 4.4 percent, and .7 percent, respectively, of the assets, net position, and revenues of aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Anderson

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Anderson County, Tennessee, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 through 36 and the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans on pages 133 through 140 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing

the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anderson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Anderson County School Department (a discretely presented component unit), miscellaneous schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Anderson County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Anderson 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2017, on our consideration of Anderson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws,



regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Anderson 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 Anderson County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

November 29, 2017

JPW/sb

**Anderson County, Tennessee  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017**

As management for Anderson County, Tennessee, we offer readers of Anderson County's financial statements, this narrative overview and analysis of financial activities of Anderson County for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of Anderson County Primary Government exceeded liabilities and deferred inflows at the end of the fiscal year by \$2,964,173 (net position). Of this amount, a negative \$20,134,415 represents unrestricted net position.
- Anderson County's total net position increased by \$2,948,277.
- At the end of the fiscal year, Anderson County's governmental funds reported combined fund balances of \$21,232,181, an increase of \$93,436 in comparison with the prior year. Approximately 18% of this amount or \$3,791,841 is available for spending at the county's discretion (*unassigned fund balance*).
- At the end of the fiscal year, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) for the General Fund was \$6,765,239, or approximately 26% of total General Fund expenditures.
- Anderson County's total outstanding long-term debt for governmental activities decreased \$1,288,560 or approximately 2% during the current fiscal year.

**OVERVIEW OF THE FINANCIAL REPORT**

The discussion and analysis provided here are intended to serve as an introduction to Anderson County's basic financial statements. Anderson County's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Anderson County's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on the all of Anderson County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator

of whether the financial position of Anderson County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of Anderson County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Anderson County include general government, finance; administration of justice; public safety; public health and welfare; social, cultural and recreational services; agricultural and natural resources; highway/public works; education; and interest on long-term debt.

The government-wide financial statements include not only Anderson County government itself (known as the *primary government*), but also a legally separate school system for which the Anderson County government is financially accountable. These statements also include a legally separate E-911 district. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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

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

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

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of

the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Anderson County maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Highway/Public Works, and General Debt Service funds, which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund financial statements and schedules of this report.

Anderson County adopts an annual appropriated budget for the primary government's General Fund, Highway/Public Works Fund, General Debt Service Fund, the discretely presented component unit (DPCU) School Department's General Purpose School Fund.

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

Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-6 of this report.

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

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

The proprietary fund financial statements can be found on Exhibits D-1 through D-3 and I-1 through I-3 of this report.

***Fiduciary Funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are *not* available to support Anderson County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The county's fiduciary funds consist of the Cities Sales Tax, Clinton School Average Daily Attendance Tax and Oak Ridge School Daily Attendance Tax, Judicial District Drug, District Attorney General, and Constitutional Officers – Agency funds, which are combined into agency funds on the fiduciary funds financial statements.

The basic fiduciary funds financial statement can be found on Exhibit E-1 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the table of contents.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report presents required supplementary information concerning pension information and other postemployment benefits information. This required information has been presented in the required supplementary information section of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the required supplementary information. Combining and individual fund statements and schedules can be found in the table of contents.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position (surplus or deficit) may serve as a useful indicator of a government's financial position. In the case of Anderson County, assets and deferred outflows exceeded its liabilities and deferred inflows by \$2,964,173 at the close of the most recent fiscal year. The Constitution for the State of Tennessee only allows the local legislative body authorization to issue debt. Therefore, whenever the Anderson County Board of Education requires additional money to fund school construction and equipment, the related debt must be issued by the Anderson County Government. As of June 30, 2017 Anderson County had outstanding debt totaling \$54,527,185. Of the county's total outstanding debt, \$33,196,724 is for capital purposes of the Anderson County Board of Education.

**Anderson County's Statement of Net Position – Primary Government**

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 43,361,180	\$ 42,296,004
Capital Assets	33,111,231	33,313,680
Total Assets	<u>\$ 76,472,411</u>	<u>\$ 75,609,684</u>
Total Deferred Outflows of Resources	\$ 2,820,754	\$ 957,732
Long-term Liabilities	\$ 55,840,289	\$ 57,047,600
Other Liabilities	2,489,298	1,858,155
Total Liabilities	<u>\$ 58,329,587</u>	<u>\$ 58,905,755</u>
Total Deferred Inflows of Resources	\$ 18,559,015	\$ 18,554,099
Net Position:		
Net Investment in Capital Assets	\$ 13,178,548	\$ 13,682,164
Restricted	9,408,283	10,375,713
Unrestricted	(20,182,268)	(24,950,315)
Total Net Position	<u>\$ 2,404,563</u>	<u>\$ (892,438)</u>

**Anderson County's Statement of Net Position – DPCU School Department**

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 25,182,001	\$ 23,985,231
Capital Assets	45,191,349	46,675,277
Total Assets	<u>\$ 70,373,350</u>	<u>\$ 70,660,508</u>
Total Deferred Outflows of Resources	\$ 9,652,645	\$ 3,517,707
Long-term Liabilities	\$ 6,575,780	\$ 2,044,486
Other Liabilities	2,700,113	2,423,754
Total Liabilities	<u>\$ 9,275,893</u>	<u>\$ 4,468,240</u>
Total Deferred Inflows of Resources	\$ 21,370,038	\$ 22,857,136
Net Position:		
Net Investment in Capital Assets	\$ 45,191,349	\$ 46,675,277
Restricted	1,923,646	2,629,942
Unrestricted	2,265,069	(2,452,380)
Total Net Position	<u>\$ 49,380,064</u>	<u>\$ 46,852,839</u>

## Anderson County's Statement of Net Position – Ambulance Service Fund

	Business-Type Activities	
	2017	2016
Current and Other Assets	\$ (9,194)	\$ 671,173
Capital Assets	661,143	829,561
Total Assets	<u>\$ 651,949</u>	<u>\$ 1,500,734</u>
Total Deferred Outflows of Resources	\$ 478,150	\$ 210,985
Long-term Liabilities	\$ 284,140	\$ 279,998
Other Liabilities	123,530	205,911
Total Liabilities	<u>\$ 407,670</u>	<u>\$ 485,909</u>
Total Deferred Inflows of Resources	\$ 162,819	\$ 317,476
Net Position:		
Net Investment in Capital Assets	\$ 511,757	\$ 687,200
Restricted	0	265,079
Unrestricted	47,853	(43,945)
Total Net Position	<u>\$ 559,610</u>	<u>\$ 908,334</u>

By far, the largest portion of Anderson County's net position totaling \$13,178,548 for the Governmental Activities and \$661,143 for the Business-type Activities reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure) less any related outstanding debt used to acquire those assets; the total for the DPCU School Department is \$45,191,349. Anderson County uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although Anderson County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Anderson County's Governmental Activities net position totaling \$9,408,283 represents resources that are subject to external restrictions on how they may be used; the total for the DPCU School Department is \$1,923,646.

Anderson County's Governmental Activities unrestricted net position is a negative \$20,182,268; the DPCU School Department is \$2,265,069. The negative balance represents non-capital related asset net of Anderson County's Government Activities debt.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$3,297,001 from the prior fiscal year for an ending balance of \$2,404,563.

Revenues on the government-wide Statement of Activities are broken into two major categories, program and general revenues.

Program revenues are composed of 3 types: charges for services (arise from charges to customers), operating grants and contributions (restricted for a specific purpose), and capital grants and contributions (restricted for a specific purpose).

General revenues are all revenues that do not qualify as program revenues and are the largest revenue source. The largest single revenue sources within this major category are local taxes for the county and state and federal – unrestricted for the DPCU School Department.

### Anderson County's Statement of Activities – Primary Government

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for Services	\$ 7,946,373	\$ 8,215,104
Operating Grants and Contributions	3,163,801	3,099,104
Capital Grants and Contributions	1,882,756	717,325
General Revenues:		
Local Taxes	20,858,226	20,502,681
Grants and Contributions Not Restricted to Specific Programs	4,934,772	5,013,622
Unrestricted Investment Income	33,688	25,252
Miscellaneous	71,469	26,921
Total Revenues	\$ 38,891,085	\$ 37,600,009
Expenses:		
General Government	\$ 5,525,125	\$ 4,722,322
Finance	2,957,033	2,833,421
Administration of Justice	2,866,798	3,045,914
Public Safety	13,275,663	13,040,212
Public Health and Welfare	3,447,087	2,918,888
Social, Cultural and Recreational Services	1,254,501	1,145,163
Agricultural and Natural Resources	246,231	228,116
Highways	4,032,399	2,464,000
Education	0	1,200,000
Interest on Long-term Debt	2,006,374	1,892,076
Total Expenses	\$ 35,611,211	\$ 33,490,112
Increase (decrease) in Net Position		
Before Transfers	3,279,874	4,109,897
Transfers In (Out)	17,127	(172,312)
Increase (Decrease) in Net Position	\$ 3,297,001	\$ 3,937,585
Net Position, July 1	(892,438)	(4,830,023)
Net Position, June 30	\$ 2,404,563	\$ (892,438)



**Anderson County’s Statement of Activities – DPCU School Department**

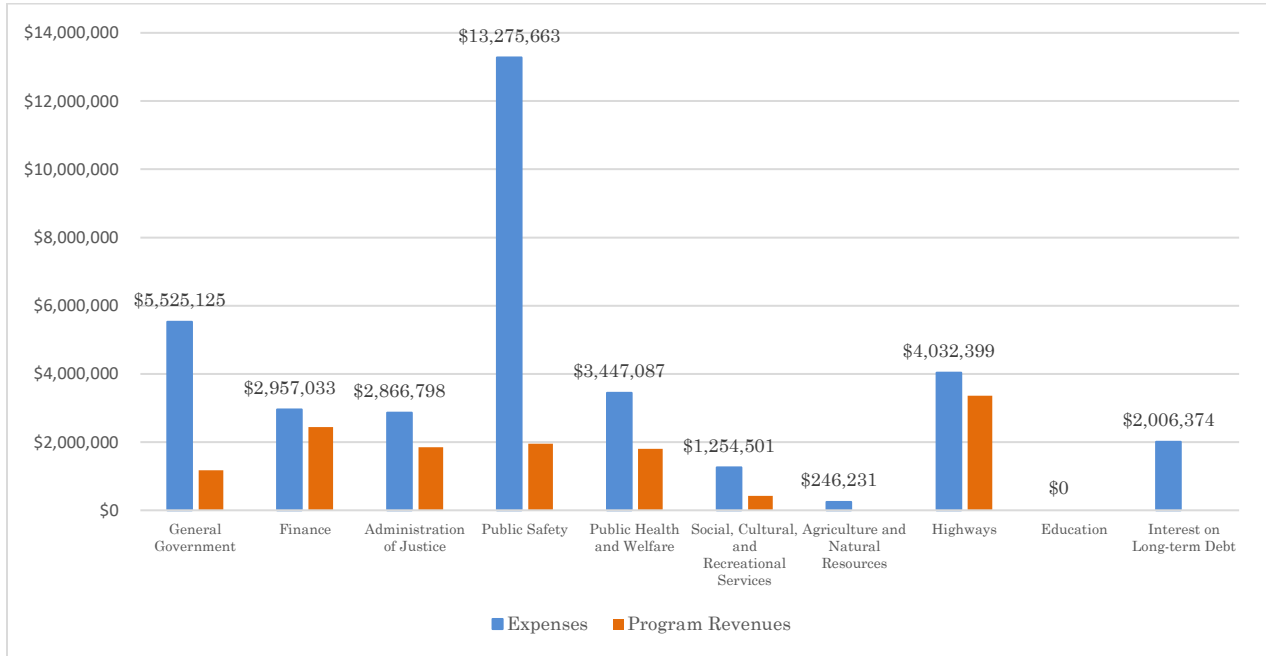
	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for Services	\$ 905,991	\$ 850,109
Operating Grants and Contributions	12,041,535	11,501,429
Capital Grants and Contributions	176,553	1,355,263
General Revenues:		
Local Taxes	24,193,315	22,839,661
State and Federal – Unrestricted	31,360,868	30,038,500
Pension Income	0	0
Investment Income	9,159	7,288
Miscellaneous	241,857	163,312
Total Revenues	<u>\$ 68,929,278</u>	<u>\$ 66,755,562</u>
Expenses:		
Education	<u>\$ 66,402,053</u>	<u>\$ 63,384,567</u>
Total Expenses	<u>\$ 66,402,053</u>	<u>\$ 63,384,567</u>
Increase (Decrease) in Net Position	\$ 2,527,225	\$ 3,370,995
Net Position, July 1	46,852,839	43,481,844
Restatement – Pension Liability	0	0
Net Position, June 30	<u>\$ 49,380,064</u>	<u>\$ 46,852,839</u>

**Anderson County’s Statement of Activities – Ambulance Service**

	Business-Type Activities	
	2017	2016
Revenues:		
Charges for Services	\$ 5,243,281	\$ 4,912,868
Miscellaneous	2,416	0
Total Revenues	<u>\$ 5,245,697</u>	<u>\$ 4,912,868</u>
Expenses:		
Ambulance Service	<u>\$ 5,577,294</u>	<u>\$ 5,542,626</u>
Total Expenses	<u>\$ 5,577,294</u>	<u>\$ 5,542,626</u>
Income (Loss) Before Transfers	\$ (331,597)	\$ (629,758)
Transfers In (Out)	(17,127)	172,312
Increase (Decrease) in Net Position	\$ (348,724)	\$ (457,446)
Net Position, July 1	908,334	1,365,780
Net Position, June 30	<u>\$ 559,610</u>	<u>\$ 908,334</u>

The total net position for the Ambulance Service Fund is decreasing due to operating expenses exceeding operating revenues for the past several years.

## Anderson County Expense and Program Revenue for Governmental Activities



Program expenses exceed program revenues for governmental activities by (\$22,618,281). Expenses for Public Safety, General Government, and Highways are the largest expenses of Anderson County, which when combined total \$22,833,187 and are 64% of total expenses.

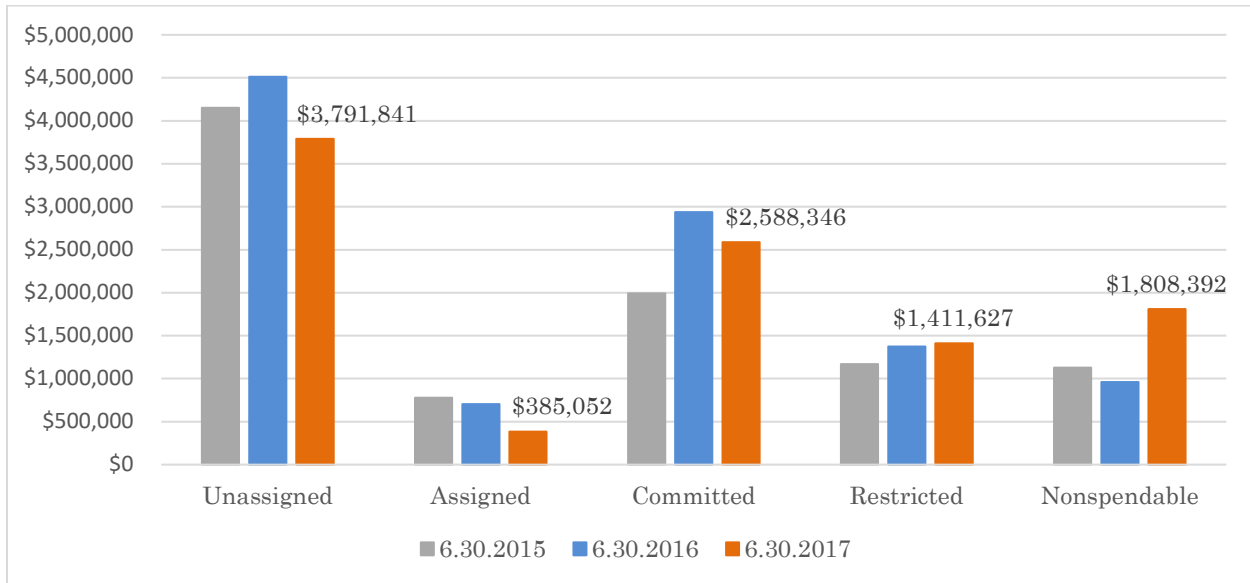
### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Anderson County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Anderson County's *governmental funds* is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Anderson County government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, Anderson County Government itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

At June 30, 2017, Anderson County's governmental funds reported combined ending fund balances of \$21,232,181, an increase of \$93,436, in comparison with the prior year. Approximately 18% of this amount or \$3,791,841 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder or fund balance is either restricted, committed, or assigned to indicate that it is (1) nonspendable, \$2,038,931; (2) restricted for particular purposes, \$11,548,307; (3) committed for particular purposes, \$3,468,050; or (4) assigned for particular purposes, \$385,052.

## Anderson County General Fund Components of Fund Balance



The General Fund is the chief operating fund of Anderson County. At the end of the current fiscal year, unassigned fund balance decreased to \$3,791,841 and the total fund balance decreased to \$9,985,258. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. The General Fund’s liquidity decreased in the current fiscal year due to the increase in total General Fund expenditures.

### Anderson County’s General Fund Liquidity

	2017	2016
Total General Fund Expenditures	\$ 26,389,287	\$ 24,198,665
Unassigned Fund Balance to Total General Fund Expenditures	14%	19%
Total Fund Balance to Total General Fund Expenditures	38%	43%

The Highway/Public Works Fund balance was \$3,107,083, which is a decrease of \$401,572 from 2016. This decrease resulted from an increase in expenditures for capital outlay of highway construction. This fund balance represents 70% of current year expenditures.

The General Debt Service Fund balance was \$3,306,294, which is an increase of \$172,758 from 2016. This balance represents 188% of the current-year’s payments for non-educational debt service.

The DPCU School Department’s main operating fund is the General Purpose School Fund. At the close of fiscal year, the fund balance of this fund was \$4,891,016, with an unassigned balance of \$3,673,308. The balance in this fund increased \$1,013,095 during the fiscal year. The unassigned balance represents 7% of current year expenditures.

## BUDGETARY HIGHLIGHTS

**Original budget compared to final budget.** During the fiscal year, appropriations from the original budget increased in the General Fund. These differences are summarized in the following table:

General Fund Appropriations	Original	Amended	Increase (Decrease)
General Government	\$ 3,867,942	\$ 4,287,480	\$ 419,538
Finance	3,009,925	3,280,196	270,271
Administration of Justice	3,208,881	3,232,249	23,368
Public Safety	13,059,117	13,795,742	736,625
Public Health and Welfare	1,453,731	1,665,716	211,985
Social, Cultural and Recreational Services	78,828	112,421	33,593
Agricultural and Natural Resources	258,715	261,715	3,000
Other Operations	866,342	1,525,198	658,856
Capital Projects	263,392	1,268,214	1,004,822
Total Net Position	\$ 26,066,873	\$ 29,428,931	\$ 3,362,058

The increase in the Capital Projects budget was primarily due to several additional public safety and public utility projects. These grants are funded through federal and state programs, such as community block development grants, safe routes to school grant, and office of surface mining.

The increase in the Other Operations budget was due to Industrial Development projects that included contributions for the Tennessee College of Applied Technology facility and repaving roads at an industrial park.

The increase in Public Safety budget was due to sheriff's operations and civil defense. The budget for sheriff operations increased to purchase law enforcement vehicles and equipment and for the increase in inmate medical claims. The budget for civil defense increased federal grants for hazard mitigation and emergency management programs.

For the DPCU Schools Department's General Purpose School Fund, the differences in the original and final budget's appropriations increased by \$2,005,329 compared to an original budget of \$55,748,498.

Additional details on revenue and expenditures differences can be found on Exhibits C-5 and K-8 of this report.

**Final budget compared to actual results.** The most significant differences between estimated revenues and actual revenues in the General Fund were from the State of Tennessee for \$876,064 less than anticipated.

At the close of the fiscal year, General Fund actual expenditures and encumbrances were \$2,772,784 less than budgetary estimates. A review of actual expenditures compared with the appropriations in the final budget resulted in the following significant variances:

- In the Public Safety function, the Sheriff's Department and Jail expenditures were \$5,181,104 and \$5,948,446, respectively, which required increased appropriations. Of the increased appropriations as previously discussed, 60% of the variance was attributable to overtime payments due to vacant positions and payments for unspent compensation, payroll tax and fringe benefits.
- In the Public Health and Welfare function, the appropriations for Local Health Center and Other Local Health Services were increased during the fiscal year, but the actual expenses were not incurred. For the Local Health Center, funds were appropriated for reimbursement grant projects for \$75,000 in building improvements and \$21,000 in other grant-related activities, but the expenses were not incurred prior to the end of the fiscal year. For Other Local Health Services, 90% of the variance was attributable to unspent compensation, payroll tax and fringe benefits.
- In the Capital Projects, the appropriations for Public Safety Projects and Public Utilities Projects were increased during the fiscal year, but the actual expenses were not incurred. As previously discussed, several grant-related projects were approved and appropriated for, but the actual expenses were not incurred prior to the end of the fiscal year.

It should be noted that the Data Processing department was created in the Finance Function during the fiscal year. With actual expenses of \$187,941, this department is composed of 2 full-time staff, who serve the information technology needs across the various departments, offices and agencies throughout the county.

For the General Purpose Schools Department, revenues from Local Taxes were \$1,381,122 more than anticipated and the State of Tennessee were \$988,615 less than anticipated.

At the close of the fiscal year, the General Purpose Schools Department expenditures were \$2,541,603 less than budgetary estimates.

**Proprietary Funds.** Anderson County's proprietary funds provide the same type of information found in the government-wide financial statements.

**Net Position of Internal Service Funds**

	Proprietary Funds	
	2017	2016
Employee Health Insurance Fund	\$ 253,925	\$ (97,386)
Channel 95	206,618	133,464

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** Anderson County's investment in capital assets for its governmental activities as of June 30, 2017, totals \$33,111,231 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, other capital assets (includes equipment), and infrastructure (roads, highways, and bridges). The total decrease in capital assets for the current fiscal year was approximately .6%.

### Anderson County's Capital Assets (net of depreciation)

	Governmental Activities	
	2017	2016
Land	\$ 1,715,743	\$ 1,715,743
Construction in Progress	19,000	14,000
Buildings and Improvements	21,746,267	22,433,700
Other Capital Assets	3,780,254	3,321,836
Infrastructure	5,849,967	5,828,401
Total	<u>\$ 33,111,231</u>	<u>\$ 33,313,680</u>

Additional information on Anderson County's capital assets can be found in Note IV.B. of the notes to the financial statements.

**Long-term Debt.** At the end of the 2017 fiscal year, Anderson County government had total debt outstanding of \$54,527,185. All debt is backed by the full faith and credit of the government.

### Anderson County's Outstanding Debt

	Governmental Activities	
	2017	2016
Notes Payable	\$ 2,630,562	\$ 1,682,802
Other Loans Payable	10,663,455	11,350,279
Bonds Payable	40,500,000	41,865,000
Capital Lease Payable	570,168	754,664
Business-Type Notes Payable	163,000	194,000
Total	<u>\$ 54,527,185</u>	<u>\$ 55,846,745</u>

Anderson County's total debt decreased \$1,319,560 or approximately 2% during the current fiscal year.

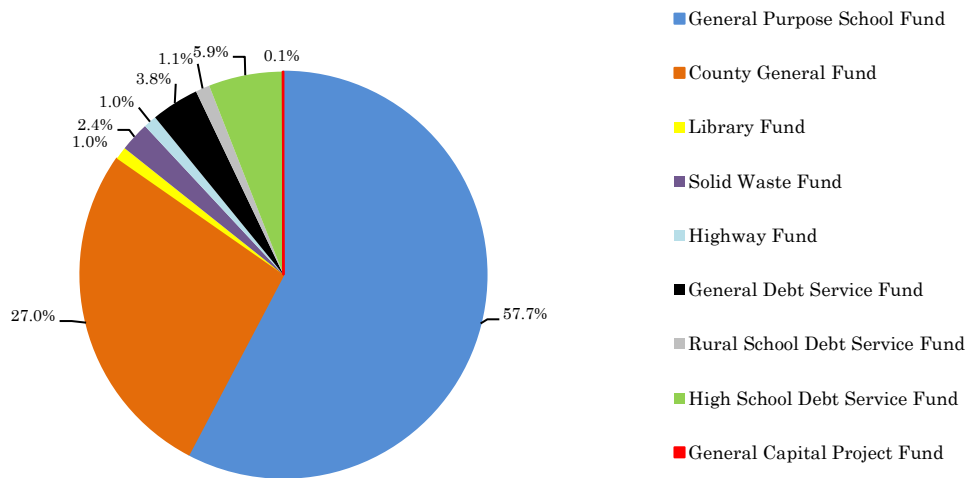
Currently state statutes do not limit the amount of general obligation debt a government entity may issue. Anderson County's bond rating from Moody's Investor Services was affirmed at Aa2 in April 2017.

Additional information on Anderson County government's long-term debt can be found in Exhibits L-1, L-2, and Note IV.G. of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors currently affect Anderson County and were considered in developing the 2017-18 fiscal year budget:

- The unemployment rate for Anderson County is currently 4.6%, which is 0.5% less than the rate a year ago.
- County Commission approved the same total tax rate of \$2.7903 for the last three tax years; however, allocation of this rate changed between funds.



- The county plans to utilize \$292,135 of unassigned fund balance to balance the General Fund budget. This amount decreased 48% from \$557,749 for the previous fiscal year's budget.
- Interest rates are expected to remain at low levels throughout the fiscal year.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Anderson County's finances for all those with an interest in the government's financial information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Anderson County Director of Finance, 100 North Main Street, Room 210, Clinton, Tennessee 37716-3625.

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Primary Government			Component Units	
	Governmental	Business-type	Total	Anderson	Emergency
	Activities	Activities		School	Communica-
				tions	District
<u>ASSETS</u>					
Cash	\$ 190,348	\$ 0	\$ 190,348	\$ 9,984	\$ 1,535,703
Equity in Pooled Cash and Investments	19,380,060	272,407	19,652,467	6,412,019	0
Inventories	32,389	0	32,389	89,994	0
Investments	18,733	0	18,733	0	0
Accounts Receivable	366,835	1,868,239	2,235,074	13,557	0
Allowance for Uncollectible	0	(1,119,626)	(1,119,626)	0	0
Due from Other Governments	2,356,611	0	2,356,611	2,267,754	0
Due from Primary Government	0	0	0	24,159	0
Internal Balances	1,185,508	(1,185,508)	0	0	0
Due from Component Units	478,497	0	478,497	0	0
Property Taxes Receivable	19,057,488	0	19,057,488	16,118,699	0
Allowance for Uncollectible Property Taxes	(699,537)	0	(699,537)	(603,145)	0
Prepaid Items	994,248	155,294	1,149,542	807,810	37,850
Net Pension Asset - Teacher Retirement Plan	0	0	0	41,170	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,715,743	82,950	1,798,693	865,214	0
Construction in Progress	19,000	0	19,000	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	21,746,267	281,897	22,028,164	42,001,018	0
Other Capital Assets	3,780,254	296,296	4,076,550	2,325,117	686,377
Infrastructure	5,849,967	0	5,849,967	0	0
Total Assets	<u>\$ 76,472,411</u>	<u>\$ 651,949</u>	<u>\$ 77,124,360</u>	<u>\$ 70,373,350</u>	<u>\$ 2,259,930</u>

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental	Business-type	Total	Anderson	Emergency
	Activities	Activities		School	Communica-
				tions	District
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Charge on Refunding	\$ 550,709	\$ 0	\$ 550,709	\$ 0	\$ 0
Pension Changes in Experience	77,500	16,326	93,826	254,620	0
Net Pension Changes in Investment Earnings	1,254,406	264,245	1,518,651	6,159,526	0
Pension Contributions After Measurement Date	938,139	197,579	1,135,718	3,133,329	0
Other Pension Deferrals	0	0	0	105,170	0
Total Deferred Outflows of Resources	<u>\$ 2,820,754</u>	<u>\$ 478,150</u>	<u>\$ 3,298,904</u>	<u>\$ 9,652,645</u>	<u>\$ 0</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 532,990	\$ 67,441	\$ 600,431	\$ 1,342,269	\$ 8,386
Accrued Payroll	259,133	53,401	312,534	3,993	0
Accrued Interest Payable	295,486	0	295,486	0	0
Payroll Deductions Payable	22,457	2,688	25,145	875,306	0
Contracts Payable	1,167,714	0	1,167,714	0	0
Due to Primary Government	0	0	0	478,497	0
Due to Component Units	24,159	0	24,159	0	0
Due to State of Tennessee	1,115	0	1,115	17	0
Other Current Liabilities	186,244	0	186,244	31	0
Noncurrent Liabilities:					
Due Within One Year	4,198,267	96,798	4,295,065	315,111	0
Due in More Than One Year	51,642,022	187,342	51,829,364	6,260,669	0
Total Liabilities	<u>\$ 58,329,587</u>	<u>\$ 407,670</u>	<u>\$ 58,737,257</u>	<u>\$ 9,275,893</u>	<u>\$ 8,386</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 17,786,090	\$ 0	\$ 17,786,090	\$ 15,008,449	\$ 0
Pension Changes in Experience	772,925	162,819	935,744	6,312,577	0
Pension Other Deferrals	0	0	0	49,012	0
Total Deferred Inflows of Resources	<u>\$ 18,559,015</u>	<u>\$ 162,819</u>	<u>\$ 18,721,834</u>	<u>\$ 21,370,038</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental	Business-type	Total	Anderson	Emergency
	Activities	Activities		School	Communica-
				Department	tions
				District	District
<u>NET POSITION</u>					
Net Investment in Capital Assets	\$ 13,178,548	\$ 511,757	\$ 13,690,305	\$ 45,191,349	\$ 686,377
Restricted for:					
General Government	88,864	0	88,864	0	0
Finance	55,224	0	55,224	0	0
Administration of Justice	724,192	0	724,192	0	0
Public Safety	714,484	0	714,484	0	0
Public Health and Welfare	525,220	0	525,220	0	0
Social, Cultural, and Recreational Services	580,214	0	580,214	0	0
Highway/Public Works	3,677,601	0	3,677,601	0	0
Debt Service	3,001,213	0	3,001,213	0	0
Capital Projects	41,271	0	41,271	398,713	0
Education	0	0	0	1,483,763	0
Pensions	0	0	0	41,170	0
Unrestricted	(20,182,268)	47,853	(20,134,415)	2,265,069	1,565,167
Total Net Position	\$ 2,404,563	\$ 559,610	\$ 2,964,173	\$ 49,380,064	\$ 2,251,544

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

Exhibit B

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								
	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Anderson County School Department	Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	\$ 5,525,125	\$ 992,532	\$ 180,021	\$ 0	\$ (4,352,572)	\$ 0	\$ (4,352,572)	\$ 0	\$ 0
Finance	2,957,033	2,438,941	0	0	(518,092)	0	(518,092)	0	0
Administration of Justice	2,866,798	1,751,231	95,237	0	(1,020,330)	0	(1,020,330)	0	0
Public Safety	13,275,663	1,513,344	418,703	18,985	(11,324,631)	0	(11,324,631)	0	0
Public Health and Welfare	3,447,087	782,134	196,140	821,436	(1,647,377)	0	(1,647,377)	0	0
Social, Cultural, and Recreational Services	1,254,501	315,728	104,758	0	(834,015)	0	(834,015)	0	0
Agriculture and Natural Resources	246,231	0	0	0	(246,231)	0	(246,231)	0	0
Highways	4,032,399	152,463	2,168,942	1,042,335	(668,659)	0	(668,659)	0	0
Debt Service:									
Interest on Long-term Debt	2,006,374	0	0	0	(2,006,374)	0	(2,006,374)	0	0
<b>Total Governmental Activities</b>	<b>\$ 35,611,211</b>	<b>\$ 7,946,373</b>	<b>\$ 3,163,801</b>	<b>\$ 1,882,756</b>	<b>\$ (22,618,281)</b>	<b>\$ 0</b>	<b>\$ (22,618,281)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Business-type Activities:									
Ambulance Service	\$ 5,577,294	\$ 5,243,281	\$ 0	\$ 0	\$ 0	\$ (334,013)	\$ (334,013)	\$ 0	\$ 0
<b>Total Business-type Activities</b>	<b>\$ 5,577,294</b>	<b>\$ 5,243,281</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (334,013)</b>	<b>\$ (334,013)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Primary Government</b>	<b>\$ 41,188,505</b>	<b>\$ 13,189,654</b>	<b>\$ 3,163,801</b>	<b>\$ 1,882,756</b>	<b>\$ (22,618,281)</b>	<b>\$ (334,013)</b>	<b>\$ (22,952,294)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:									
Anderson County School Department	\$ 66,402,053	\$ 905,991	\$ 12,041,535	\$ 176,553	\$ 0	\$ 0	\$ 0	\$ (53,277,974)	\$ 0
Emergency Communications District	416,886	432,045	50,000	0	0	0	0	0	65,159
<b>Total Component Units</b>	<b>\$ 66,818,939</b>	<b>\$ 1,338,036</b>	<b>\$ 12,091,535</b>	<b>\$ 176,553</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (53,277,974)</b>	<b>\$ 65,159</b>

(Continued)

Exhibit B

Anderson County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Anderson County School Department	Emergency Communications District
					Governmental Activities	Business-type Activities	Total		
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 14,203,111	\$ 0	\$ 14,203,111	\$ 16,099,266	\$ 0
Property Taxes Levied for Debt Service					3,550,249	0	3,550,249	0	0
Property Taxes Levied for Capital Projects					30,712	0	30,712	0	0
Local Option Sales Taxes					954,828	0	954,828	8,087,321	0
Hotel/Motel Tax					364,465	0	364,465	0	0
Litigation Tax					366,881	0	366,881	0	0
Business Tax					1,024,707	0	1,024,707	0	0
Wholesale Beer Tax					152,116	0	152,116	0	0
Mineral and Coal Severance Tax					115,696	0	115,696	0	0
Gas and Oil Severance Tax					53,666	0	53,666	0	0
Other Local Taxes					41,795	0	41,795	6,728	0
Grants and Contributions Not Restricted to Specific Programs					4,934,772	0	4,934,772	31,360,868	0
Unrestricted Investment Income					33,688	0	33,688	9,159	8,210
Miscellaneous					71,469	2,416	73,885	241,857	0
<b>Total General Revenues</b>					<b>\$ 25,898,155</b>	<b>\$ 2,416</b>	<b>\$ 25,900,571</b>	<b>\$ 55,805,199</b>	<b>\$ 8,210</b>
Transfers In (Out)					\$ 17,127	\$ (17,127)	\$ 0	\$ 0	\$ 0
Change in Net Position					\$ 3,297,001	\$ (348,724)	\$ 2,948,277	\$ 2,527,225	\$ 73,369
Net Position, July 1, 2016					(892,438)	908,334	15,896	46,852,839	2,178,175
Net Position, June 30, 2017					<b>\$ 2,404,563</b>	<b>\$ 559,610</b>	<b>\$ 2,964,173</b>	<b>\$ 49,380,064</b>	<b>\$ 2,251,544</b>

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

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway /	General	Other	
		Public	Debt	Govern-	
	Works	Service	mental	Funds	Governmental
					Funds
<u>ASSETS</u>					
Cash	\$ 52,323	\$ 0	\$ 0	\$ 2,227	\$ 54,550
Equity in Pooled Cash and Investments	7,671,402	3,547,555	3,342,665	4,761,982	19,323,604
Inventories	0	32,389	0	0	32,389
Accounts Receivable	113,286	3,012	5,136	130,515	251,949
Due from Other Governments	819,442	1,516,294	0	20,875	2,356,611
Due from Other Funds	1,390,769	17,188	0	23,801	1,431,758
Due from Component Units	109,556	15,923	0	16,856	142,335
Property Taxes Receivable	13,085,163	506,815	1,851,352	3,614,158	19,057,488
Allowance for Uncollectible Property Taxes	(477,757)	(18,819)	(68,741)	(134,220)	(699,537)
Prepaid Items	781,605	174,600	0	23,550	979,755
Total Assets	<u>\$ 23,545,789</u>	<u>\$ 5,794,957</u>	<u>\$ 5,130,412</u>	<u>\$ 8,459,744</u>	<u>\$ 42,930,902</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 168,277	\$ 194,921	\$ 9,153	\$ 122,519	\$ 494,870
Accrued Payroll	230,327	17,041	0	10,879	258,247
Payroll Deductions Payable	20,842	1,006	0	540	22,388
Contracts Payable	46,974	1,120,740	0	0	1,167,714
Due to Other Funds	175,124	178,331	27,686	22,221	403,362
Due to Component Units	15,000	0	9,159	0	24,159
Other Current Liabilities	22,200	0	0	0	22,200
Sales Tax	1,115	0	0	0	1,115
Total Liabilities	<u>\$ 679,859</u>	<u>\$ 1,512,039</u>	<u>\$ 45,998</u>	<u>\$ 156,159</u>	<u>\$ 2,394,055</u>

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway /	General	Funds	
		Public	Debt	Other	
	Works	Service	Governmental	Governmental	
			Funds	Funds	
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 12,216,773	\$ 472,310	\$ 1,725,313	\$ 3,371,694	\$ 17,786,090
Deferred Delinquent Property Taxes	360,028	14,472	52,807	98,345	525,652
Other Deferred/Unavailable Revenue	303,871	689,053	0	0	992,924
Total Deferred Inflows of Resources	<u>\$ 12,880,672</u>	<u>\$ 1,175,835</u>	<u>\$ 1,778,120</u>	<u>\$ 3,470,039</u>	<u>\$ 19,304,666</u>

FUND BALANCES

Nonspendable:

Inventory	\$ 0	\$ 32,389	\$ 0	\$ 0	\$ 32,389
Long-term Receivable	1,026,787	0	0	0	1,026,787
Prepaid Items	781,605	174,600	0	23,550	979,755

Restricted:

Restricted for General Government	88,864	0	0	0	88,864
Restricted for Finance	55,224	0	0	0	55,224
Restricted for Administration of Justice	724,192	0	0	500,000	1,224,192
Restricted for Public Safety	352,428	0	0	359,056	711,484
Restricted for Public Health and Welfare	190,919	0	0	293,637	484,556
Restricted for Social, Cultural, and Recreational Services	0	0	0	1,162,005	1,162,005
Restricted for Highways/Public Works	0	2,900,094	0	0	2,900,094
Restricted for Capital Outlay	0	0	0	40,328	40,328
Restricted for Debt Service	0	0	3,040,589	1,487,971	4,528,560
Restricted for Capital Projects	0	0	0	353,000	353,000

Committed:

Committed for General Government	270,356	0	0	0	270,356
Committed for Finance	163,708	0	0	0	163,708
Committed for Public Safety	255,750	0	0	2,104	257,854

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>FUND BALANCES (CONT.)</u>					
Committed (Cont.):					
Committed for Public Health and Welfare	\$ 66,895	\$ 0	\$ 0	\$ 0	\$ 66,895
Committed for Social, Cultural, and Recreational Services	50,000	0	0	0	50,000
Committed for Highways/Public Works	284,608	0	0	0	284,608
Committed for Capital Outlay	4,623	0	0	0	4,623
Committed for Debt Service	0	0	265,705	114,995	380,700
Committed for Capital Projects	996,012	0	0	496,900	1,492,912
Committed for Other Purposes	496,394	0	0	0	496,394
Assigned:					
Assigned for General Government	381,552	0	0	0	381,552
Assigned for Administration of Justice	3,500	0	0	0	3,500
Unassigned	3,791,841	0	0	0	3,791,841
<b>Total Fund Balances</b>	<b>\$ 9,985,258</b>	<b>\$ 3,107,083</b>	<b>\$ 3,306,294</b>	<b>\$ 4,833,546</b>	<b>\$ 21,232,181</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 23,545,789</b>	<b>\$ 5,794,957</b>	<b>\$ 5,130,412</b>	<b>\$ 8,459,744</b>	<b>\$ 42,930,902</b>

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



Exhibit C-2

Anderson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 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)		\$ 21,232,181
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,715,743	
Add: construction in progress	19,000	
Add: infrastructure net of accumulated depreciation	5,849,967	
Add: buildings and improvements net of accumulated depreciation	21,697,379	
Add: other capital assets net of accumulated depreciation	<u>3,662,958</u>	32,945,047
(2) Internal service funds are used by management to charge the cost of employee health insurance to individual funds and to reflect activities of the county television station. The assets and liabilities are included in governmental activities in the statement of net position:		
Add: capital assets	\$ 166,184	
Add: current assets	497,628	
Less: liabilities	<u>(203,269)</u>	460,543
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (2,630,562)	
Less: other loans payable	(10,663,455)	
Less: bonds payable	(40,500,000)	
Less: capital lease payable	(570,168)	
Add: deferred amount on refunding	550,709	
Add: debt to be contributed by the School Department	336,162	
Less: unamortized premium on debt	(584,387)	
Less: other postemployment benefits liability	(213,183)	
Less: compensated absences payable	(591,999)	
Less: accrued interest on bonds, notes, and other loans	(295,486)	
Less: net pension liability	<u>(86,535)</u>	(55,248,904)
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 2,270,045	
Less: deferred inflows of resources related to pensions	<u>(772,925)</u>	1,497,120
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,518,576</u>
Net position of governmental activities (Exhibit A)		<u>\$ 2,404,563</u>

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

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 17,131,579	\$ 942,347	\$ 1,755,163	\$ 3,737,360	\$ 23,566,449
Licenses and Permits	352,987	0	0	0	352,987
Fines, Forfeitures, and Penalties	438,440	0	0	67,647	506,087
Charges for Current Services	580,808	0	0	531,212	1,112,020
Other Local Revenues	564,349	152,379	5,866	46,334	768,928
Fees Received From County Officials	3,935,125	0	0	0	3,935,125
State of Tennessee	2,220,400	2,711,676	0	68,649	5,000,725
Federal Government	895,730	0	26,958	24,944	947,632
Other Governments and Citizens Groups	120,256	6,942	0	1,813,930	1,941,128
Total Revenues	\$ 26,239,674	\$ 3,813,344	\$ 1,787,987	\$ 6,290,076	\$ 38,131,081
<u>Expenditures</u>					
Current:					
General Government	\$ 3,878,980	\$ 0	\$ 0	\$ 0	\$ 3,878,980
Finance	3,044,210	0	0	0	3,044,210
Administration of Justice	2,941,456	0	0	3,500	2,944,956
Public Safety	12,964,072	0	0	103,456	13,067,528
Public Health and Welfare	1,138,713	0	0	1,564,284	2,702,997
Social, Cultural, and Recreational Services	103,005	0	0	577,205	680,210
Agriculture and Natural Resources	243,121	0	0	0	243,121
Other Operations	1,377,228	0	0	460,962	1,838,190
Highways	0	4,453,512	0	0	4,453,512
Debt Service:					
Principal on Debt	0	0	875,463	2,493,097	3,368,560
Interest on Debt	0	0	677,606	1,126,549	1,804,155
Other Debt Service	0	0	203,228	47,984	251,212

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>					
Capital Projects	\$ 698,502	\$ 0	\$ 0	\$ 225,792	\$ 924,294
Total Expenditures	\$ 26,389,287	\$ 4,453,512	\$ 1,756,297	\$ 6,602,829	\$ 39,201,925
<u>Excess (Deficiency) of Revenues</u>					
Over Expenditures	\$ (149,613)	\$ (640,168)	\$ 31,690	\$ (312,753)	\$ (1,070,844)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 1,400,000	\$ 1,400,000
Refunding Debt Issued	0	0	8,030,000	0	8,030,000
Premiums on Debt Sold	0	0	3,157	0	3,157
Proceeds from Sale of Capital Assets	12,775	15,300	0	1,668	29,743
Insurance Recovery	6,704	7,215	0	0	13,919
Transfers In	0	253,591	0	16,100	269,691
Transfers Out	(370,592)	(37,510)	0	(282,039)	(690,141)
Payments to Refunded Debt Escrow Agent	0	0	(7,892,089)	0	(7,892,089)
Total Other Financing Sources (Uses)	\$ (351,113)	\$ 238,596	\$ 141,068	\$ 1,135,729	\$ 1,164,280
<u>Net Change in Fund Balances</u>					
Fund Balance, July 1, 2016	\$ 10,485,984	\$ 3,508,655	\$ 3,133,536	\$ 4,010,570	\$ 21,138,745
Fund Balance, June 30, 2017	\$ 9,985,258	\$ 3,107,083	\$ 3,306,294	\$ 4,833,546	\$ 21,232,181

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

Exhibit C-4

Anderson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 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)	\$	93,436
(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. These amounts do not include assets capitalized (\$119,175) and depreciated (\$4,498) in the Internal Service funds.		
Add: capital assets purchased in the current period	\$	1,275,934
Less: current-year depreciation expense		<u>(1,598,234)</u>
		(322,300)
(2) The effect of various miscellaneous transactions involving capital assets (sales, trades-ins, and donations) is to increase (decrease) net position:		
Add: assets donated and capitalized		5,174
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2017	\$	1,518,576
Less: deferred delinquent property taxes and other deferred June 30, 2016		<u>(884,134)</u>
		634,442
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on notes	\$	452,240
Add: principal payments on other loans		686,824
Add: principal payments on bonds		2,045,000
Add: principal amount of bonds refunded		7,350,000
Add: principal payments on capital leases		184,496
Add: change in premium on debt issuances		69,930
Less: issuance of notes		(1,400,000)
Less: bond proceeds		(8,030,000)
Less: contributions from the School Department for capital leases		(79,033)
Add: change in deferred amount on refunding debt		<u>518,725</u>
		1,798,182
(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	\$	(730)
Change in other postemployment benefits liability		(20,530)
Change in net pension asset/liability		(1,321,620)
Change in deferred outflows related to pensions		1,344,297
Change in deferred inflows related to pensions		706,299
Change in compensated absences payable		<u>(44,114)</u>
		663,602
(6) Internal service funds are used by management to charge the cost of employee health benefits to individual funds and to reflect activities of the county television station. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>424,465</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>3,297,001</u></u>

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

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 17,131,579	\$ 0	\$ 0	\$ 17,131,579	\$ 16,544,092	\$ 16,544,092	\$ 587,487
Licenses and Permits	352,987	0	0	352,987	271,500	271,500	81,487
Fines, Forfeitures, and Penalties	438,440	0	0	438,440	352,050	352,050	86,390
Charges for Current Services	580,808	0	0	580,808	592,975	608,382	(27,574)
Other Local Revenues	564,349	0	0	564,349	472,963	472,963	91,386
Fees Received From County Officials	3,935,125	0	0	3,935,125	3,917,000	3,929,000	6,125
State of Tennessee	2,220,400	0	0	2,220,400	2,873,183	3,096,464	(876,064)
Federal Government	895,730	0	0	895,730	324,665	1,485,494	(589,764)
Other Governments and Citizens Groups	120,256	0	0	120,256	76,796	172,601	(52,345)
Total Revenues	\$ 26,239,674	\$ 0	\$ 0	\$ 26,239,674	\$ 25,425,224	\$ 26,932,546	\$ (692,872)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 309,071	\$ 0	\$ 0	\$ 309,071	\$ 313,224	\$ 320,717	\$ 11,646
Board of Equalization	1,370	0	0	1,370	7,393	7,393	6,023
Other Boards and Committees	332,867	0	0	332,867	378,303	371,808	38,941
County Mayor/Executive	263,419	0	0	263,419	267,052	277,640	14,221
Personnel Office	233,330	0	0	233,330	213,252	263,602	30,272
County Attorney	515,874	0	0	515,874	321,174	519,091	3,217
Election Commission	414,512	0	0	414,512	488,726	466,014	51,502
Register of Deeds	419,527	0	0	419,527	413,192	422,302	2,775
Planning	162,924	0	0	162,924	237,573	229,059	66,135
Building	76,005	0	0	76,005	50,000	98,100	22,095
County Buildings	885,324	0	0	885,324	916,761	943,930	58,606
Other General Administration	188,952	0	74,000	262,952	223,306	284,400	21,448
Preservation of Records	75,805	0	0	75,805	37,986	83,424	7,619
<u>Finance</u>							
Accounting and Budgeting	634,542	(13,155)	0	621,387	678,352	695,140	73,753
Purchasing	212,809	0	0	212,809	255,580	240,492	27,683
Property Assessor's Office	355,768	0	0	355,768	377,325	381,533	25,765

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 218,814	\$ 0	\$ 0	\$ 218,814	\$ 239,109	\$ 237,080	\$ 18,266
County Trustee's Office	630,474	0	0	630,474	641,325	656,483	26,009
County Clerk's Office	803,862	0	0	803,862	818,234	849,796	45,934
Data Processing	187,941	0	0	187,941	0	219,672	31,731
<u>Administration of Justice</u>							
Circuit Court	1,096,161	0	0	1,096,161	1,203,853	1,197,355	101,194
Criminal Court	1,453	0	0	1,453	2,058	2,058	605
General Sessions Judge	546,428	0	0	546,428	557,858	558,062	11,634
Drug Court	72,769	0	0	72,769	81,086	81,086	8,317
Chancery Court	474,862	0	0	474,862	465,801	478,351	3,489
Juvenile Court	524,882	0	0	524,882	598,957	571,336	46,454
District Attorney General	56,736	0	0	56,736	47,740	79,263	22,527
Office of Public Defender	37,018	0	0	37,018	32,965	37,025	7
Judicial Commissioners	392	0	0	392	2,154	2,154	1,762
Probate Court	3,009	0	0	3,009	4,000	3,150	141
Other Administration of Justice	90,268	0	0	90,268	110,159	120,159	29,891
Courtroom Security	14,294	0	0	14,294	75,500	75,500	61,206
Victim Assistance Programs	23,184	0	0	23,184	26,750	26,750	3,566
<u>Public Safety</u>							
Sheriff's Department	5,181,104	0	0	5,181,104	5,067,333	5,330,563	149,459
Jail	5,948,446	0	0	5,948,446	5,847,862	6,104,031	155,585
Correctional Incentive Program Improvements	67,677	0	0	67,677	150,696	73,580	5,903
Commissary	980	0	0	980	25,000	25,000	24,020
Civil Defense	444,646	0	235,250	679,896	464,571	786,074	106,178
Rescue Squad	27,500	0	0	27,500	27,500	27,500	0
Other Emergency Management	678,395	0	0	678,395	833,068	801,258	122,863
County Coroner/Medical Examiner	272,104	0	0	272,104	272,104	272,104	0
Other Public Safety	343,220	0	0	343,220	370,983	375,632	32,412

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare</u>							
Local Health Center	\$ 277,389	\$ 0	\$ 0	\$ 277,389	\$ 324,849	\$ 463,315	\$ 185,926
Rabies and Animal Control	106,268	0	0	106,268	143,819	131,553	25,285
Dental Health Program	312,365	0	0	312,365	399,597	419,690	107,325
Alcohol and Drug Programs	0	0	0	0	10,000	10,000	10,000
Other Local Health Services	320,571	0	0	320,571	453,346	519,038	198,467
Appropriation to State	122,120	0	0	122,120	122,120	122,120	0
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	100,005	0	0	100,005	75,828	109,421	9,416
Parks and Fair Boards	3,000	0	0	3,000	3,000	3,000	0
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	162,360	0	0	162,360	167,712	170,712	8,352
Soil Conservation	54,815	0	0	54,815	56,003	56,003	1,188
Storm Water Management	25,946	0	0	25,946	35,000	35,000	9,054
<u>Other Operations</u>							
Industrial Development	705,922	0	0	705,922	162,000	812,000	106,078
Veterans' Services	104,314	0	0	104,314	105,904	105,654	1,340
Other Charges	445,297	0	0	445,297	456,600	463,206	17,909
Miscellaneous	121,695	0	0	121,695	141,838	144,338	22,643
<u>Capital Projects</u>							
Public Safety Projects	4,200	(20,000)	20,000	4,200	214,256	442,512	438,312
Public Utility Projects	694,302	(29,235)	0	665,067	49,136	825,702	160,635
Total Expenditures	\$ 26,389,287	\$ (62,390)	\$ 329,250	\$ 26,656,147	\$ 26,066,873	\$ 29,428,931	\$ 2,772,784
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (149,613)	\$ 62,390	\$ (329,250)	\$ (416,473)	\$ (641,649)	\$ (2,496,385)	\$ 2,079,912
<u>Other Financing Sources (Uses)</u>							
Proceeds from Sale of Capital Assets	\$ 12,775	\$ 0	\$ 0	\$ 12,775	\$ 0	\$ 0	\$ 12,775
Insurance Recovery	6,704	0	0	6,704	0	6,704	0

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	100,000	100,000	\$ (100,000)
Transfers Out	(370,592)	0	0	(370,592)	(16,100)	(379,309)	8,717
Total Other Financing Sources	\$ (351,113)	\$ 0	\$ 0	\$ (351,113)	83,900	(272,605)	\$ (78,508)
Net Change in Fund Balance	\$ (500,726)	\$ 62,390	\$ (329,250)	\$ (767,586)	\$ (557,749)	\$ (2,768,990)	\$ 2,001,404
Fund Balance, July 1, 2016	10,485,984	(62,390)	0	10,423,594	4,152,389	4,152,389	6,271,205
Fund Balance, June 30, 2017	\$ 9,985,258	\$ 0	\$ (329,250)	\$ 9,656,008	\$ 3,594,640	\$ 1,383,399	\$ 8,272,609

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



Exhibit C-6

Anderson County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 942,347	\$ 0	\$ 942,347	\$ 992,562	\$ 992,562	\$ (50,215)
Other Local Revenues	152,379	0	152,379	300,000	300,000	(147,621)
State of Tennessee	2,711,676	0	2,711,676	2,294,000	2,694,000	17,676
Federal Government	0	0	0	0	859,481	(859,481)
Other Governments and Citizens Groups	6,942	0	6,942	0	0	6,942
<b>Total Revenues</b>	<b>\$ 3,813,344</b>	<b>\$ 0</b>	<b>\$ 3,813,344</b>	<b>\$ 3,586,562</b>	<b>\$ 4,846,043</b>	<b>\$ (1,032,699)</b>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 236,984	\$ 0	\$ 236,984	\$ 280,808	\$ 284,808	\$ 47,824
Highway and Bridge Maintenance	1,611,715	0	1,611,715	1,779,436	2,613,268	1,001,553
Operation and Maintenance of Equipment	498,655	0	498,655	795,015	1,135,623	636,968
Other Charges	233,328	0	233,328	226,000	246,000	12,672
Capital Outlay	1,872,830	(58,634)	1,814,196	585,000	2,814,852	1,000,656
<b>Total Expenditures</b>	<b>\$ 4,453,512</b>	<b>\$ (58,634)</b>	<b>\$ 4,394,878</b>	<b>\$ 3,666,259</b>	<b>\$ 7,094,551</b>	<b>\$ 2,699,673</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (640,168)	\$ 58,634	\$ (581,534)	\$ (79,697)	\$ (2,248,508)	\$ 1,666,974
<u>Other Financing Sources (Uses)</u>						
Proceeds from Sale of Capital Assets	\$ 15,300	\$ 0	\$ 15,300	\$ 0	\$ 0	\$ 15,300
Insurance Recovery	7,215	0	7,215	0	0	7,215
Transfers In	253,591	0	253,591	0	253,591	0
Transfers Out	(37,510)	0	(37,510)	0	(37,510)	0
<b>Total Other Financing Sources</b>	<b>\$ 238,596</b>	<b>\$ 0</b>	<b>\$ 238,596</b>	<b>\$ 0</b>	<b>\$ 216,081</b>	<b>\$ 22,515</b>

(Continued)

Exhibit C-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (401,572)	\$ 58,634	\$ (342,938)	\$ (79,697)	\$ (2,032,427)	\$ 1,689,489
Fund Balance, July 1, 2016	3,508,655	(58,634)	3,450,021	2,686,018	2,686,018	764,003
Fund Balance, June 30, 2017	\$ 3,107,083	\$ 0	\$ 3,107,083	\$ 2,606,321	\$ 653,591	\$ 2,453,492

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

## Exhibit D-1

Anderson County, Tennessee  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	Business-type Activities	Governmental Activities
	Major Enterprise Fund	Internal Service Funds
	Ambulance Service Fund	
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 0	\$ 135,798
Equity in Pooled Cash and Investments	272,407	56,456
Investments	0	18,733
Accounts Receivable	1,868,239	114,886
Allowance for Uncollectibles	(1,119,626)	0
Due from Other Funds	0	157,262
Prepaid Items	155,294	14,493
Total Current Assets	<u>\$ 1,176,314</u>	<u>\$ 497,628</u>
Noncurrent Assets:		
Capital Assets:		
Assets Not Depreciated:		
Land	\$ 82,950	\$ 0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	281,897	48,888
Other Capital Assets	296,296	117,296
Total Noncurrent Assets	<u>\$ 661,143</u>	<u>\$ 166,184</u>
Total Assets	<u>\$ 1,837,457</u>	<u>\$ 663,812</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows of Resources:		
Pension Changes in Experience	\$ 16,326	\$ 0
Pension Changes in Investment Earnings	264,245	0
Pension Contributions After Measurement Date	197,579	0
Total Deferred Outflows of Resources	<u>\$ 478,150</u>	<u>\$ 0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,315,607</u>	<u>\$ 663,812</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 67,441	\$ 38,120
Accrued Payroll	53,401	886
Payroll Deductions Payable	2,688	69
Accrued Leave - Current	65,798	0
Due to Other Funds	1,185,508	150
Capital Outlay Notes Payable	31,000	0
Other Current Liabilities	0	164,044
Total Current Liabilities	<u>\$ 1,405,836</u>	<u>\$ 203,269</u>

(Continued)

Exhibit D-1

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

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Major Enterprise Fund</u>	<u>Internal Service Funds</u>
	<u>Ambulance Service Fund</u>	
<u>LIABILITIES (CONT.)</u>		
Noncurrent Liabilities:		
Capital Outlay Notes Payable - Long-term	\$ 132,000	\$ 0
Net Pension Liability	18,229	0
Accrued Leave - Long-term	3,463	0
Other Long-term Liabilities	33,650	0
Total Noncurrent Liabilities	<u>\$ 187,342</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,593,178</u>	<u>\$ 203,269</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows of Resources:		
Pension Changes in Experience	\$ 162,819	\$ 0
Total Deferred Inflows of Resources	<u>\$ 162,819</u>	<u>\$ 0</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 511,757	\$ 166,184
Unrestricted	<u>47,853</u>	<u>294,359</u>
Total Net Position	<u>\$ 559,610</u>	<u>\$ 460,543</u>

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

Exhibit D-2

Anderson County, Tennessee  
Statement of Revenues, Expenses, and Changes  
in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017

	Business-type Activities	
	Major	Governmental
	Enterprise Fund	Activities
	Ambulance Service Fund	Internal Service Funds
<u>Operating Revenues</u>		
Charges for Services	\$ 5,243,281	\$ 4,148,312
Licenses and Permits	0	134,542
Total Operating Revenues	<u>\$ 5,243,281</u>	<u>\$ 4,282,854</u>
<u>Operating Expenses</u>		
Salaries	\$ 3,002,806	\$ 52,306
Fringe Benefits	794,359	21,654
Communication	38,836	2,232
Data Processing Services	2,433	0
Dues and Memberships	890	0
Laundry Service	34,984	0
Maintenance and Repair Services - Buildings	13,609	0
Maintenance and Repair Services - Equipment	13,646	0
Maintenance and Repair Services - Vehicles	70,048	0
Pest Control	1,260	0
Postal Charges	245	0
Printing Stationery, and Forms	671	0
Rental Expense	18,421	0
Travel	4,840	0
Tuition	5,617	0
Disposal Fees	1,671	0
Other Contracted Services	479,365	325,760
Custodial Supplies	8,937	0
Drugs and Medical Supplies	238,629	0
Duplicating Supplies	303	0
Gasoline	113,114	23
Natural Gas	5,626	0
Office Supplies	1,743	0
Tires and Tubes	21,951	0
Uniforms	27,863	0

(Continued)

Exhibit D-2

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

	Business-type Activities	
	Major Enterprise Fund	Governmental Activities
	Ambulance Service Fund	Internal Service Funds
<u>Operating Expenses (Cont.)</u>		
Utilities	\$ 29,622	\$ 0
Vehicle Parts	54,068	0
Supplies and Materials	11,084	8,013
Building and Contents Insurance	5,000	0
Liability Insurance	22,612	0
Trustee's Commission	52,727	1,343
Vehicle and Equipment Insurance	23,667	0
Workers' Compensation Insurance	235,033	109
Depreciation	206,443	4,498
Staff Development	14,472	0
Data Processing Equipment	7,341	0
Furniture and Fixtures	8,993	0
Other Charges	0	1,255
Medical and Dental Services	0	3,351,703
Handling Charges and Administrative Costs	0	49,058
Excess Risk Insurance	0	471,795
Data Processing Equipment	0	6,353
Total Operating Expenses	<u>\$ 5,572,929</u>	<u>\$ 4,296,102</u>
Operating Income (Loss)	<u>\$ (329,648)</u>	<u>\$ (13,248)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Insurance Recovery	\$ 1,576	\$ 0
Investment Income	0	136
Gain on Sale of Capital Asset	840	0
Interest on Debt	(4,365)	0
Total Nonoperating Revenues (Expenses)	<u>\$ (1,949)</u>	<u>\$ 136</u>

(Continued)

Exhibit D-2

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

	Business-type Activities	
	Major Enterprise Fund	Governmental Activities
	Ambulance Service Fund	Internal Service Funds
Income (Loss) Before Transfers	\$ (331,597)	\$ (13,112)
Transfers In	0	438,617
Transfers Out	(17,127)	(1,040)
Change in Net Position	\$ (348,724)	\$ 424,465
Net Position, July 1, 2016	908,334	36,078
Net Position, June, 30, 2017	<u>\$ 559,610</u>	<u>\$ 460,543</u>

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

Exhibit D-3

Anderson County, Tennessee  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017

	Business-type Activities	
	Major	
	Enterprise Fund	Governmental Activities
	Ambulance Service Fund	Internal Service Funds
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers and Users	\$ 5,254,017	\$ 35,000
Receipts for Self-insurance Premiums	0	3,956,050
Receipts for Licenses and Permits	0	134,342
Payments to Vendors	(1,498,341)	(20,227)
Payments to Employees	(2,983,787)	(52,083)
Payments for Fringe Benefits	(976,189)	(22,375)
Payments to Fiscal Agents	0	(378,246)
Payments to Insurers	0	(486,084)
Stop-loss Recovery	0	201,180
Payments for Administrative Costs	0	(58,571)
Payments for Claims	0	(3,698,889)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (204,300)</u>	<u>\$ (389,903)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Paid on Notes	\$ (31,000)	\$ 0
Interest Paid on Notes	(4,365)	0
Proceeds from Sale of Capital Asset	840	
Acquisition and Construction of Capital Assets	(38,025)	(119,175)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (72,550)</u>	<u>\$ (119,175)</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers from Other Funds	\$ 0	\$ 438,617
Transfers to Other Funds	(17,127)	(1,040)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (17,127)</u>	<u>\$ 437,577</u>
<u>Cash Flows from Investing Activities</u>		
Interest on Investments	\$ 0	\$ 40
Net Cash Provided By (Used In) Investing Activities	<u>\$ 0</u>	<u>\$ 40</u>
Increase (Decrease) in Cash	\$ (293,977)	\$ (71,461)
Cash, July 1, 2016	566,384	263,715
Cash, June 30, 2017	<u>\$ 272,407</u>	<u>\$ 192,254</u>

(Continued)



Exhibit D-3

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

	Business-type Activities	
	Major	
	Enterprise Fund	Governmental Activities
	Ambulance Service Fund	Internal Service Funds
<u>Reconciliation of Net Operating Income (Loss)</u>		
<u>to Net Cash Provided By (Used In) Operating Activities</u>		
Operating Income (Loss)	\$ (329,648)	\$ (13,248)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	206,443	4,498
Changes in Deferred Outflows for Pensions	(267,165)	0
Changes in Deferred Inflows for Pensions	(154,657)	0
Changes in Assets and Liabilities:		
Changes in Net Pension Asset/Liability	283,308	0
(Increase) Decrease in Accounts Receivables	49,417	30,098
Increase (Decrease) in Allowance for Uncollectibles	(38,683)	0
(Increase) Decrease in Due from Other Funds (non-transfers)	0	(157,262)
(Increase) Decrease in Prepaid Items	(137,471)	(14,493)
Increase (Decrease) in Accounts Payable	(41,172)	(62,844)
Increase (Decrease) in Accrued Payroll	8,567	223
Increase (Decrease) in Payroll Deductions	(49,776)	(721)
Increase (Decrease) in Due to Other Funds (non-transfers)	249,624	150
Increase (Decrease) in Accrued Leave	10,452	0
Increase (Decrease) in Other Current Liabilities	0	(176,304)
Increase (Decrease) in Other Long-term Liabilities	6,461	0
Net Cash Provided By (Used In) Operating Activities	<u>\$ (204,300)</u>	<u>\$ (389,903)</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>		
Cash Per Net Position	\$ 0	\$ 135,798
Equity in Pooled Cash and Investments Per Net Position	<u>272,407</u>	<u>56,456</u>
Cash, June 30, 2017	<u>\$ 272,407</u>	<u>\$ 192,254</u>

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

Exhibit E-1

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,766,566
Equity in Pooled Cash and Investments	207,985
Accounts Receivable	22,327
Due from Other Governments	3,300,618
Taxes Receivable	11,954,343
Allowance for Uncollectible Taxes	<u>(447,319)</u>
Total Assets	<u>\$ 16,804,520</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,696
Due to Other Taxing Units	14,801,948
Due to Joint Ventures	213,264
Due to Litigants, Heirs, and Others	<u>1,785,612</u>
Total Liabilities	<u>\$ 16,804,520</u>

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

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**ANDERSON COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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**ANDERSON COUNTY, TENNESSEE**  
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**ANDERSON COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Anderson County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Anderson County:

**A. Reporting Entity**

Anderson County is a public municipal corporation governed by an elected 16-member board. As required by GAAP, these financial statements present Anderson County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Anderson County School Department operates the public school system in the county, and the voters of Anderson County elect its board. The School Department is fiscally dependent on the county because its budget and property tax levy are subject to the county commission's approval. The School Department has a financial benefit/burden relationship with the county since all debt issued for school purposes is a liability of the primary government. Also, the School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Anderson County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Anderson County, and the Anderson County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the approval of the county commission.

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

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

Administrative Office:

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

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

The Anderson County Industrial Development Board is a related organization of Anderson County. The Anderson County Commission elects the board members, but the county’s accountability does not extend beyond making the appointments.

**B. Government-wide and Fund Financial Statements**

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

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

Anderson County issues all debt for the discretely presented Anderson County School Department. 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 and enterprise), and fiduciary funds. Internal service funds are reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Anderson County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

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

Anderson County reports the following major governmental funds:

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

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

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

Anderson County reports the following major enterprise fund:

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

Additionally, Anderson County reports the following fund types:



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

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

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Anderson County, city school systems' shares of educational revenues, state grants and other restricted revenues held for the benefit of the Judicial District Drug Task Force, and restricted revenues held for the benefit of the Office of District Attorney General. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Anderson County School Department reports the following major governmental fund:

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

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

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and

contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

**1. Deposits and Investments**

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

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Anderson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Income from these investments is credited to various funds based on legal requirements of the budget adopted by the county commission, with the majority of the investment income being assigned to the General, General Purpose School, and the various debt service funds. In addition, investments are held separately by the self-insurance fund. Anderson County and the School Department have

adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

## **2. Receivables and Payables**

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.97 percent of total taxes levied.

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

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

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

Most payables are disaggregated on the face of the financial statements. The balance in the account Other Current Liabilities totaling \$186,244 in the governmental activities Statement of Net Position for the primary government consists of performance bonds of \$22,200 and self-insurance claims of \$164,044.

**3. Inventories and Prepaid Items**

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

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

**4. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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:

<u>Assets</u>	<u>Years</u>
Building and Improvements	20 - 50
Other Capital Assets	5 - 20
Infrastructure	25 - 40

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

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

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

**6. Compensated Absences**

The policies of the county and School Department permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the county and the

School Department do not have policies to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

7. **Long-term Obligations**

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

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

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

8. **Net Position and Fund Balance**

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated

depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2017, Anderson County had \$33,196,724 in outstanding debt for capital purposes for the discretely presented Anderson County School Department. This debt is a liability of Anderson County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Anderson County has incurred a liability, significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

For most funds, it is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. One exception is the Highway/Public Works Fund for which unrestricted amounts are reduced first, followed by restricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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

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

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

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

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

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

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



Fund/ Function/Purpose	Amount
<b><u>PRIMARY GOVERNMENT</u></b>	
General Fund:	
Restricted for Administration of Justice:	
Drug Court	\$ 71,166
Courthouse Security	505,673
Circuit, Sessions, and Chancery Data Processing	49,455
Archives	82,880
Sex Offender Registry	15,017
Restricted for Public Safety:	
Various Law Enforcement Purpose	36,776
Jail Commissary	269,154
Sheriff Data Processing	25,697
Restricted for Public Health and Welfare:	
Alcohol and Drug Treatment	83,819
Health Department Improvements	55,403
Animal Holding Facilities	34,155
Committed for General Government:	
Courthouse Maintenance	80,964
Chiller	60,000
Motor Pool	110,000
Committed for Finance:	
Property Assessor	118,839
Purchasing - Surplus Property	44,870
Committed for Public Safety:	
Fire Department	235,250
Committed for Highways:	
Bridge Construction	284,608
Committed for Capital Projects and Other Purposes:	
Industrial Land Purchases	1,232,249
Tennessee College of Applied Technology	250,000
Highway/Public Works Fund:	
Restricted for Highway/Public Works:	
General Highway Purposes	2,900,094
General Debt Service Fund:	
Restricted for Debt Service:	
Principal and Interest on General County Debt	3,040,589
Committed for Debt Service:	
Principal and Interest on General County Debt	265,705

Fund/ Function/Purpose	Amount
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PRIMARY GOVERNMENT (CONT.)

Nonmajor Governmental Funds:	
Restricted for Administration of Justice:	
Capital Projects	\$ 500,000
Restricted for Public Safety:	
Drug Control	359,056
Restricted for Public Health and Welfare:	
Solid Waste/Sanitation	293,637
Restricted For Social, Cultural, and Recreational Services:	
Public Libraries	321,398
Tourism	245,607
Capital Projects	595,000
Restricted for Debt Service:	
Principal and Interest on Debt Related to Elementary Schools	363,939
Principal and Interest on Debt Related to Middle and High Schools	1,124,032
Restricted for Capital Projects:	
General Future Capital Purchases	300,000
Solid Waste/Sanitation	53,000
Committed for Capital Projects:	
Solid Waste/Sanitation	496,900

DISCRETELY PRESENTED SCHOOL DEPARTMENT

General Purpose School:	
Restricted for Capital Projects:	
General Capital Improvements	379,809
Nonmajor Governmental:	
Restricted for Education:	
Cafeteria Operations	1,415,155
Various Federal Grant Programs	68,608

Assigned fund balance in the General Fund consists primarily of amounts assigned for encumbrances (\$74,000) and amounts appropriated for use in the 2017-18 year budget (\$292,135).

**9. Minimum Fund Balance Policy**

To provide management with appropriate guidelines and direction to assist in making sound decisions related to managing the fund balance, the county commission adopted a policy establishing a minimum unassigned fund balance level for the General Fund of \$4,000,000. To draw the unassigned fund balance below \$4,000,000 requires two-thirds

(2/3) affirmative vote by the Board of County Commissioners. At June 30, 2017, the unassigned fund balance was \$3,791,841, which is \$208,159 below the minimum amount.

**E. Pension Plans**

**Primary Government**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Anderson County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Anderson County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Discretely Presented Anderson County School Department**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position**

**Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

### **Discretely Presented Anderson County School Department**

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

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

##### **Primary Government**

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

### **Discretely Presented Anderson County School Department**

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

## **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

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

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

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

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

**B. Expenditures Exceeded Appropriations**

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

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
Primary Government:	
Solid Waste/Sanitation:	
Public Health and Welfare - Landfill Operation and Maintenance	\$ 2,773
Discretely Presented School Department:	
General Purpose School:	
Transfers Out	14,176

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

**C. Data Breach**

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

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

## Deposits

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

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

## Investments

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

**Investment Balances.** As of June 30, 2017, Anderson County had the following investments carried at amortized cost using a Stable Net Asset Value. Pooled investments are held in the county trustee's investment pool.

Separate disclosures concerning pooled investments cannot be made for Anderson County and the discretely presented Anderson County School Department since both pool their deposits and investments through the county trustee. Nonpooled investments represent amounts held in the Employee Health Insurance Fund (an internal service fund).

POOLED INVESTMENTS

<u>Investment</u>	Weighted Average Maturity (days)	Maturities	Amortized Cost
State Treasurer's Investment Pool	3 to 80	N/A	\$ 591,381

NONPOOLED INVESTMENTS

<u>Investment</u>	Weighted Average Maturity (days)	Maturities	Amortized Cost
State Treasurer's Investment Pool	3 to 80	N/A	\$ 18,733

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Anderson County has no investment policy that would further limit its investment choices. As of June 30, 2017, Anderson County's investments in the State Treasurer's Investment Pool were unrated.

**B. Capital Assets**

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

## Primary Government

### Governmental Activities

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	\$ 1,715,743	\$ 0	\$ 0	\$ 1,715,743
Construction in Progress	14,000	5,000	0	19,000
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 1,729,743</b>	<b>\$ 5,000</b>	<b>\$ 0</b>	<b>\$ 1,734,743</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 32,319,662	\$ 6,991	\$ 0	\$ 32,326,653
Infrastructure	46,627,705	387,304	(99,453)	46,915,556
Other Capital Assets	11,211,536	1,000,988	(199,057)	12,013,467
<b>Total Capital Assets Depreciated</b>	<b>\$ 90,158,903</b>	<b>\$ 1,395,283</b>	<b>\$ (298,510)</b>	<b>\$ 91,255,676</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,885,962	\$ 694,424	\$ 0	\$ 10,580,386
Infrastructure	40,799,304	365,738	(99,453)	41,065,589
Other Capital Assets	7,889,700	542,570	(199,057)	8,233,213
<b>Total Accumulated Depreciation</b>	<b>\$ 58,574,966</b>	<b>\$ 1,602,732</b>	<b>\$ (298,510)</b>	<b>\$ 59,879,188</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 31,583,937</b>	<b>\$ (207,449)</b>	<b>\$ 0</b>	<b>\$ 31,376,488</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 33,313,680</b>	<b>\$ (202,449)</b>	<b>\$ 0</b>	<b>\$ 33,111,231</b>



**Business-type Activities:**

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	\$ 82,950	\$ 0	\$ 0	\$ 82,950
Construction in Progress	52,171	38,025	(90,196)	0
Total Capital Assets Not Depreciated	<u>\$ 135,121</u>	<u>\$ 38,025</u>	<u>\$ (90,196)</u>	<u>\$ 82,950</u>
Capital Assets Depreciated:				
Buildings and Improvement	\$ 569,924	\$ 0	\$ 0	\$ 569,924
Other Capital Assets	2,220,462	90,196	(81,747)	2,228,911
Total Capital Assets Depreciated	<u>\$ 2,790,386</u>	<u>\$ 90,196</u>	<u>\$ (81,747)</u>	<u>\$ 2,798,835</u>
Less Accumulated Depreciation For:				
Buildings and Improvement	\$ 267,751	\$ 20,276	\$ 0	\$ 288,027
Other Capital Assets	1,828,195	186,167	(81,747)	1,932,615
Total Accumulated Depreciation	<u>\$ 2,095,946</u>	<u>\$ 206,443</u>	<u>\$ (81,747)</u>	<u>\$ 2,220,642</u>
Total Capital Assets Depreciated, Net	<u>\$ 694,440</u>	<u>\$ (116,247)</u>	<u>\$ 0</u>	<u>\$ 578,193</u>
Business-type Activities Capital Assets, Net	<u>\$ 829,561</u>	<u>\$ (78,222)</u>	<u>\$ (90,196)</u>	<u>\$ 661,143</u>

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

**Governmental Activities:**

General Government	\$ 355,991
Finance	9,937
Administration of Justice	28,741
Public Safety	662,948
Public Health and Welfare	96,081
Social, Cultural, and Recreational	36,889
Highway/Public Works	<u>412,145</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,602,732</u>

**Business-type Activities:**

Ambulance Service	<u>\$ 206,443</u>
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**Discretely Presented Anderson County School Department**

**Governmental Activities:**

	Balance 7-1-16	Increases	Balance 6-30-17
	<u>          </u>		<u>          </u>
Capital Assets Not Depreciated:			
Land	\$ 865,214	\$ 0	\$ 865,214
Total Capital Assets Not Depreciated	<u>\$ 865,214</u>	<u>\$ 0</u>	<u>\$ 865,214</u>
 Capital Assets Depreciated:			
Buildings and Improvements	\$ 85,273,589	\$ 625,432	\$ 85,899,021
Other Capital Assets	7,171,826	463,040	7,634,866
Total Capital Assets Depreciated	<u>\$ 92,445,415</u>	<u>\$ 1,088,472</u>	<u>\$ 93,533,887</u>
 Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 41,675,793	\$ 2,222,210	\$ 43,898,003
Other Capital Assets	4,959,559	350,190	5,309,749
Total Accumulated Depreciation	<u>\$ 46,635,352</u>	<u>\$ 2,572,400</u>	<u>\$ 49,207,752</u>
 Total Capital Assets Depreciated, Net	<u>\$ 45,810,063</u>	<u>\$ (1,483,928)</u>	<u>\$ 44,326,135</u>
 Governmental Activities Capital Assets, Net	<u>\$ 46,675,277</u>	<u>\$ (1,483,928)</u>	<u>\$ 45,191,349</u>

There were no decreases in capital assets to report for the year.

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

**Governmental Activities:**

Instruction	\$ 2,200,586
Support Services	160,945
Operation of Non-instructional Services	<u>210,869</u>
 Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,572,400</u></u>

**C. Construction Commitments – Discretely Presented Anderson County School Department**

The School Department and Clinton High School have committed to provide through county funds, donations, and in-kind contributions, \$950,000 toward athletic facility improvements at Clinton High School. Those improvements are being managed by a private donor who has contracted with the School Department to fund the improvements to the extent that they exceed \$950,000. As of June 30, 2017, the School Department has not expended any funds toward the project. However, at June 30, 2017, the General Purpose School Fund has restricted fund balance pledged toward the project in the amount of \$379,809, which consist of donations of \$179,809 and proceeds of debt borrowed by the primary government in the amount of \$200,000. Management expects the remainder of the School Department’s commitment to be satisfied by in-kind contributions.

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

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

**Primary Government**

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Highway/Public Works	\$ 174,600
"	General Debt Service	23,797
"	Ambulance Service (enterprise)	1,171,474
"	Nonmajor governmental	20,748
"	Internal Service	150
Highway/Public Works	General	6,608
"	Ambulance Service (enterprise)	9,225
"	Nonmajor governmental	1,355
Nonmajor governmental	General	19,390
"	Highway/Public Works	104
"	General Debt Service	3,889
"	Ambulance Service (enterprise)	418
Internal Service	General	149,126
"	Highway/Public Works	3,627
"	Nonmajor governmental	118
"	Ambulance Service (enterprise)	4,391

Amounts due to the General Fund from the Ambulance Service (enterprise) Fund are the result of: (1) inadequate cash balances in the Ambulance Service Fund to reimburse the General Fund for expenses paid on behalf of the Ambulance Service, and (2) amounts loaned to the Ambulance Service Fund

when it was established during the year ended June 30, 2010. Due to the uncertainty of when these amounts will be paid, the General Fund has classified \$1,026,787 of its fund balance as nonspendable to offset most of the amount of the receivables due from the Ambulance Service Fund at June 30, 2017.

The remaining balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made. These remaining balances are expected to be liquidated within one year.

**Discretely Presented Anderson County School Department**

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
General Purpose School	Nonmajor governmental	\$ 183,905
Nonmajor governmental	General Purpose School	1,346

**Due to/from Primary Government and Component Unit**

Receivable Fund	Payable Fund	Amount
Primary Government:	Component Unit:	
General	School Department:	
Highway/Public Works	General Purpose School	\$ 109,556
Highway/Public Works	General Purpose School	9,450
Nonmajor governmental	Nonmajor governmental	6,473
	General Purpose School	16,856
Component Unit:	Primary Government:	
School Department:	General	15,000
General Purpose School	General Debt Service	9,159
General Purpose School		

The amount reflected as due to primary government from the discretely presented School Department on the government-wide Statement of Net Position also includes \$336,162 for debt issued by the primary government, which is being retired by the School Department. Of that amount, \$246,477 is not expected to be received within one year.

**Interfund Transfers**

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

**Primary Government**

Transfers Out	Transfers In		
	Highway/ Public Works Fund	Internal Service Funds	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 354,492	\$ 16,100
Highway/Public Works Fund	0	37,510	0
Ambulance Service (enterprise fund)	0	17,127	0
Nonmajor Governmental Funds	253,591	28,448	0
Internal Service Funds	0	1,040	0
Total	<u>\$ 253,591</u>	<u>\$ 438,617</u>	<u>\$ 16,100</u>

Transfers into the Internal Service funds represent contributions in excess of premiums charged for the self-insured health program.

**Discretely Presented Anderson County School Department**

Transfers Out	Transfers In	
	General Purpose School Fund	Nonmajor Governmental Funds
General Purpose School Fund	\$ 0	\$ 89,176
Nonmajor Governmental Funds	195,629	62,137
Total	<u>\$ 195,629</u>	<u>\$ 151,313</u>

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

**E. Income from Operating Lease Commitments**

Anderson County leases space in the Robert Jolley Administration Building and the Daniel Arthur Rehabilitation Center to various tenants under operating lease agreements. The carrying value of the leased properties was \$1,005,623 at June 30, 2017. The original cost was \$3,079,265 and accumulated depreciation was \$2,073,642. Total lease revenues for the year ended June 30, 2017, were \$118,186. The future minimum lease payments under existing leases are as follows:

Year Ending June 30	Amount
2018	\$ 134,532
2019	102,600
2020	102,600
2021	102,600
2022	<u>102,600</u>
Total	<u>\$ 544,932</u>

**F. Capital Lease**

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

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

The assets acquired through the capital leases outstanding at June 30, 2017, consisted of the following:

	Primary Government - Governmental Activities	School Department - Governmental Activities
Building and Improvements	\$ 501,365	\$ 1,606,295
Less: Accumulated Depreciation	<u>(250,683)</u>	<u>(1,084,251)</u>
Total	<u>\$ 250,682</u>	<u>\$ 522,044</u>

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

Year Ending June 30	Governmental Activities
2018	\$ 233,253
2019	234,350
2020	143,918
2021	30,448
Total Minimum Lease Payments	<u>\$ 641,969</u>
Less: Amount Representing Interest	<u>(71,801)</u>
Present Value of Minimum Payments	<u><u>\$ 570,168</u></u>

**G. Long-term Obligations**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to 12 years for notes, and 38 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, other loans, and capital leases will be retired from the debt service funds and the Public Library Fund.

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

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-17
General Obligation Bonds	1 to 5.25	% 5-1-29	\$ 17,200,000	\$ 8,800,000
General Obligation Refunding Bonds	2 to 3	5-1-35	9,780,000	8,640,000
Rural School Bonds	2 to 4	5-1-31	10,000,000	9,365,000
Rural School Refunding Bonds	1 to 3.5	5-1-26	18,890,000	13,695,000
Capital Outlay Notes	0 to 2.35	8-1-29	3,442,433	2,630,562
Other Loans	See table below	7-25-51	14,510,215	10,663,455
Capital Lease	6.25 to 11.4	5-25-21	1,458,601	570,168

The following table further details loan agreements outstanding at June 30, 2017:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-17	Interest Type	Interest Rates as of 6-30-17	Other Fees
<u>Montgomery County Public</u>					
<u>Building Authority</u>					
Industrial Development	\$ 1,700,000	\$ 499,000	Variable	.97 %	.71 %
Jail Renovation	3,000,000	1,476,000	Variable	1.04	.65
<u>City of Clarksville Public</u>					
<u>Building Authority</u>					
Rural Debt Series 2014	4,505,215	4,010,000	Fixed	2.75	NA
Education Debt Series 2014	5,180,000	4,560,000	Fixed	2.75	NA
<u>USDA Loan Program</u>	<u>125,000</u>	<u>118,455</u>	Fixed	3.38	NA
Total	<u>\$ 14,510,215</u>	<u>\$ 10,663,455</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2017, including interest payments and other loan fees, are presented in the following tables. The interest rates on the variable rate public building authority loan agreements are tax-exempt rates determined by the remarketing agent daily or weekly depending on the particular program. In addition, the county pays various other fees (trustee, debt remarketing, etc.) in connection with these variable rate loans. Interest payments and other fees included in the table for the variable rate issues are computed based on the rates in effect at June 30, 2017.



Year Ending June 30	Notes		
	Principal	Interest	Total
2018	\$ 596,240	\$ 43,868	\$ 640,108
2019	607,240	35,552	642,792
2020	190,240	28,129	218,369
2021	192,240	25,639	217,879
2022	166,709	23,100	189,809
2023-2027	611,893	74,730	686,623
2028-2029	266,000	9,423	275,423
Total	\$ 2,630,562	\$ 240,441	\$ 2,871,003

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2018	\$ 707,886	\$ 259,835	\$ 13,124	\$ 980,845
2019	717,952	245,241	11,229	974,422
2020	731,019	230,545	9,267	970,831
2021	742,088	215,716	7,215	965,019
2022	614,159	200,776	5,089	820,024
2023-2027	3,383,959	793,775	7,828	4,185,562
2028-2032	3,684,154	270,327	0	3,954,481
2033-2037	16,752	12,528	0	29,280
2038-2042	19,828	9,452	0	29,280
2043-2047	23,465	5,815	0	29,280
2048-2052	22,193	1,589	0	23,782
Total	\$ 10,663,455	\$ 2,245,599	\$ 53,752	\$ 12,962,806

Year Ending June 30	Bonds		
	Principal	Interest	Total
2018	\$ 2,135,000	\$ 1,324,766	\$ 3,459,766
2019	2,240,000	1,281,359	3,521,359
2020	2,300,000	1,213,064	3,513,064
2021	2,355,000	1,142,709	3,497,709
2022	2,575,000	1,073,359	3,648,359
2023-2027	13,695,000	4,050,291	17,745,291
2028-2032	11,305,000	1,603,532	12,908,532
2033-2035	3,895,000	212,085	4,107,085
Total	\$ 40,500,000	\$ 11,901,165	\$ 52,401,165

There is \$4,916,280 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$232, based on the 2010 federal census for residents living inside the Oak Ridge School District, \$526 for residents living inside the Clinton School District, and \$793 for residents living outside of these school districts. Total debt per capita, including bonds, notes, other loans, capital leases, and unamortized premium on debt, based on the 2010 federal census totaled \$285 for residents living inside the Oak Ridge School District, \$702 for residents living inside the Clinton School District, and \$1,104 for residents living outside of these school districts.

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

Description of Indebtedness	Outstanding 6-30-17
<u>Capital Leases</u>	
<u>Contributions from the Other Education Special Revenue Fund to the Rural Debt Service Fund</u>	
Headstart Facility	\$ 336,162
Total	\$ 336,162

In addition to the above-noted contributions, based on budgetary appropriations, the School Department remitted \$1,560,548 to the primary government's Rural Debt Service Fund to be applied to the retirement of other debt issued for the benefit of the School Department.

Changes in Long-term Obligations

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

Governmental Activities:	Bonds		Notes		Capital Leases	
Balance, July 1, 2016	\$	41,865,000	\$	1,682,802	\$	754,664
Additions		8,030,000		1,400,000		0
Reductions		(9,395,000)		(452,240)		(184,496)
Balance, June 30, 2017	\$	40,500,000	\$	2,630,562	\$	570,168
Balance Due Within One Year	\$	2,135,000	\$	596,240	\$	196,742
	Other Loans		Compensated Absences		Other Postemployment Benefits	
Balance, July 1, 2016	\$	11,350,279	\$	547,885	\$	192,653
Additions		0		758,562		42,874
Reductions		(686,824)		(714,448)		(22,344)
Balance, June 30, 2017	\$	10,663,455	\$	591,999	\$	213,183
Balance Due Within One Year	\$	707,886	\$	562,399	\$	0
	Net Pension Liability (Asset) Agent Plan					
Balance, July 1, 2016	\$	(1,235,085)				
Additions		2,956,374				
Reductions		(1,634,754)				
Balance, June 30, 2017	\$	86,535				
Balance Due Within One Year	\$	0				

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 55,255,902
Less: Balance Due Within One Year	(4,198,267)
Add: Unamortized Premium on Debt	<u>584,387</u>
 Noncurrent Liabilities - Due in More Than One Year - Exhibit A	 <u><u>\$ 51,642,022</u></u>

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

Advance Refunding

On May 19, 2017, Anderson County advance refunded general obligation bonds with a separate general obligation bond issue. The county issued \$8,030,000 of general obligation refunding bonds to provide resources to place in an irrevocable trust to retire the old bonds and related interest. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next 18 years will be reduced by \$681,396, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$543,096 was obtained. The outstanding defeased bonds (\$7,350,000 Series 2011 D) will be called and redeemed on May 1, 2020.

**Anderson County Ambulance Service Fund (enterprise fund)**

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

Capital outlay notes outstanding as of June 30, 2017, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-17</u>
Capital Outlay Notes - Ambulance	2.25	% 6-1-22	223,225	163,000

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2018	\$ 31,000	\$ 3,668	\$ 34,668
2019	32,000	2,970	34,970
2020	33,000	2,250	35,250
2021	33,000	1,508	34,508
2022	34,000	765	34,765
Total	\$ 163,000	\$ 11,161	\$ 174,161

#### Changes in Long-term Obligations

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

#### Business-type Activities:

	Notes	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2016	\$ 194,000	\$ 58,809	\$ 27,189
Additions	0	114,353	6,461
Reductions	(31,000)	(103,901)	0
Balance, June 30, 2017	\$ 163,000	\$ 69,261	\$ 33,650
Balance Due Within One Year	\$ 31,000	\$ 65,798	\$ 0

	Net Pension Liability (Asset) Agent Plan
Balance, July 1, 2016	\$ (265,079)
Additions	627,530
Reductions	(344,222)
Balance, June 30, 2017	\$ 18,229
Balance Due Within One Year	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 284,140
Less: Balance Due Within One Year	<u>(96,798)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 187,342</u>

**Discretely Presented Anderson County School Department**

Changes in Long-term Obligations

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

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2016	\$ 298,776	\$ 1,431,484
Additions	444,278	402,785
Reductions	(411,359)	(458,484)
Balance, June 30, 2017	<u>\$ 331,695</u>	<u>\$ 1,375,785</u>
Balance Due Within One Year	<u>\$ 315,111</u>	<u>\$ 0</u>

	Net Pension Liability (Asset) Agent Plan	Net Pension Liability (Asset) Teacher Legacy Plan
Balance, July 1, 2016	\$ (761,503)	\$ 314,226
Additions	1,831,505	9,704,344
Reductions	(1,016,393)	(5,203,879)
Balance, June 30, 2017	<u>\$ 53,609</u>	<u>\$ 4,814,691</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 6,575,780
Less: Balance Due Within One Year	<u>(315,111)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,260,669</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Anderson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2017, were \$141,888 and \$58,750, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**I. Short-term Debt**

Anderson County issued tax and revenue anticipation notes in advance of property tax and other revenue collections in the following funds. These notes were necessary because funds were not available to meet obligations coming due before revenues were available. Short-term debt activity for the year ended June 30, 2017, was as follows:

Fund	Balance 7-1-16	Issued	Paid	Balance 6-30-17
<u>Primary Government</u>				
Internal Service Fund (Borrowed from General Fund)	\$ 0	\$ 360,000	\$ (360,000)	\$ 0
Education Capital Projects Fund (Borrowed from General Fund)	0	397,593	(397,593)	0
<u>Discretely Presented School Department</u>				
General Purpose School Fund (Borrowed from Education Debt Service Fund)	0	500,000	(500,000)	0
School Federal Projects Fund (Borrowed from Education Debt Service Fund)	0	268,500	(268,500)	0
(Borrowed from General Purpose School Fund)	0	106,000	(106,000)	0

## V. OTHER INFORMATION

### A. Risk Management

The county has chosen to establish the Employee Health Insurance Fund for risks associated with the employees' health insurance plan. The Employee Health Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county has obtained a stop/loss commercial policy to cover claims beyond certain liabilities. The stop/loss policy contains a maximum reimbursement limit of \$1,000,000 per claim year. Annually, the county retains the risk of loss to the first \$100,000 per covered person. An estimated liability for outstanding medical claims of \$164,044 has been recorded in the financial statements of the Employee Health Insurance Fund.

All full-time employees of the primary government are eligible to participate. For retirees with 30-plus years of service who retired on or after July 1, 2012, the county pays \$300 per month premium assistance until age 65 when the employee becomes eligible for Medicare. This premium assistance increased to \$350 per month for those who retire on or after September 1, 2016. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates for the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$205,037 at June 30, 2017. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The Employee Health Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. The process used to compute claims liabilities does not necessarily result in an exact amount.



Changes in the balance of claims liabilities during the past two fiscal years are as follows:

Employee Insurance - Health Fund

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments- Net of Stop Loss Recovery	Balance Fiscal Year-end
2015-16	\$ 167,488	\$ 3,293,925	\$ 3,121,065	\$ 340,348
2016-17	340,348	3,351,703	3,528,007	164,044

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

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

**B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units*; and Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, became effective for the year ended June 30, 2017.

GASB Statement No. 74, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose external financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 43 and 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, established reporting requirements for tax abatements. This standard requires the disclosure of information about the nature and magnitude of tax abatement agreements entered into by state and local governments that reduce the government's tax revenues.

GASB Statement No. 78, amends Statement No. 68 to exclude certain pensions provided to employees of state or local governments through 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. Subsequent Events**

On July 1, 2017, Rodney Archer left the Office of Trustee and was succeeded by Myron Iwanski.

Subsequent to June 30, 2017, Anderson County and the discretely presented Anderson County School Department approved the following interfund loans in the form of revenue anticipation notes:

From Fund	To Fund	Amount
Education Debt Service	School Federal Projects	\$ 140,000

**D. Contingent Liabilities**

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

**E. Changes in Administration**

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

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

Tony Foreman left the Office of Purchasing Agent on March 27, 2017. Duties of the purchasing agent were transferred to the finance director.

**F. Joint Ventures**

The Seventh Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventh Judicial District, Anderson County, and various cities within Anderson County. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general, the sheriff, and police chiefs of participating law enforcement agencies. Anderson County did not contribute to the operation of the DTF for the year ended June 30, 2017.

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

during the fiscal year ended June 30, 2017. In addition to the operations contribution, Anderson County also paid \$250,000 and committed an additional \$250,000 for their portion of the building renovations for the Tennessee College of Applied Technology.

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

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

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

**G. Jointly Governed Organization**

The Northeast Tennessee Railroad Authority is jointly operated by Anderson County in conjunction with Campbell and Scott counties. The authority's board consists of the county mayor of each county and one member selected by the governing body of each county; however, the counties do not have any ongoing financial interest or responsibility for the entity. Anderson County did not contribute to the operations of the Northeast Tennessee Railroad authority during the year ended June 30, 2017.

**H. Retirement Commitments**

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

**Primary Government**

**General Information About the Pension Plan**

*Plan Description.* Employees of Anderson County and non-certified employees of the discretely presented Anderson County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 66.15 percent, the non-certified employees of the discretely presented School Department comprised 33.85 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](http://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	402
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	844
Active Employees	746
 Total	 <u>1,992</u>

*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. Anderson County makes employer contributions at the rate set

by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contribution for Anderson County was \$1,743,612 based on a rate of 7.40 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Anderson County's state shared taxes if required employer contributions are not remitted. The employer's 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)**

Anderson County's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.50%

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 Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
Short-term Securities	0.98	29
	4.73	7
	0.00	1
Total		100 %

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

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

periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2015	\$ 65,440,308	\$ 67,701,975	\$ (2,261,667)
Changes for the Year:			
Service Cost	\$ 1,942,096	\$ 0	\$ 1,942,096
Interest	4,931,912	0	4,931,912
Differences Between Expected and Actual Experience	177,297		177,297
Contributions-Employer	0	1,718,873	(1,718,873)
Contributions-Employees	0	1,171,606	(1,171,606)
Net Investment Income	0	1,790,540	(1,790,540)
Benefit Payments, Including Refunds of Employee Contributions	(3,247,155)	(3,247,155)	0
Administrative Expense	0	(55,760)	55,760
Other Changes	0	6,006	(6,006)
Net Changes	<u>\$ 3,804,150</u>	<u>\$ 1,384,110</u>	<u>\$ 2,420,040</u>
Balance, June 30, 2016	<u>\$ 69,244,458</u>	<u>\$ 69,086,085</u>	<u>\$ 158,373</u>

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	66.15%	\$ 45,805,209	\$ 45,700,445	\$ 104,764
School Department	33.85%	23,439,249	23,385,640	53,609
Total		<u>\$ 69,244,458</u>	<u>\$ 69,086,085</u>	<u>\$ 158,373</u>

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



Anderson County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 9,056,151	\$ 158,373	\$ (7,226,373)

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

*Pension Expense or Negative Pension Expense.* For the year ended June 30, 2017, Anderson County recognized pension expense of \$407,155.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 141,838	\$ 1,414,579
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,295,770	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	1,743,612	N/A
Total	\$ 4,181,220	\$ 1,414,579

- (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	\$ 2,270,046	\$ 772,925
Business-type Activities	478,150	162,819
School Department	<u>1,433,024</u>	<u>478,835</u>
Total	<u>\$ 4,181,220</u>	<u>\$ 1,414,579</u>

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	\$ (282,594)
2019	(282,594)
2020	898,386
2021	689,832
2022	0
Thereafter	0

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

**Discretely Presented Anderson County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Anderson County and non-certified employees of the discretely presented Anderson County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 66.15 percent and the non-certified employees of the discretely presented School

Department comprise 33.85 percent of the plan based on contribution data.

### **Certified Employees**

### **Teacher Retirement Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Anderson County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://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 \$143,667, 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 Anderson County School Department reported an asset of \$41,170 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Anderson County School Department's proportion of the net pension asset was based on the Anderson County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Anderson County School Department's proportion was .395477 percent. The revised proportion as of June 30, 2015, was .221641 percent.

*Pension Expense.* For the year ended June 30, 2017, the Anderson County School Department recognized pension expense of \$34,062.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 3,989	\$ 4,747
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,741	0
Changes in Proportion of of Net Pension Liability (Asset)	0	4,876
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	143,667	N/A
Total	<u>\$ 154,397</u>	<u>\$ 9,623</u>

The Anderson County School Department's employer contributions of \$143,667, 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	\$ 1,260
2019	1,260
2020	1,260
2021	939
2022	(505)
Thereafter	(3,107)

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

*Actuarial Assumptions.* The total pension liability in the June 30, 2016, actuarial valuation was determined using the following

actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 19,441	\$ (41,170)	\$ (85,829)

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

### **Teacher Legacy Pension Plan**

#### **General Information About the Pension Plan**

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

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member



and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Anderson County School Department for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were \$2,381,768, 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 Anderson County School Department reported a liability of \$4,814,691 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Anderson County School Department's proportion of the net pension liability (asset) was based on the Anderson County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Anderson County School Department's proportion

was .770419 percent. The proportion measured at June 30, 2015, was .767088 percent.

*Pension Expense.* For the year ended June 30, 2017, the Anderson County School Department recognized pension expense of \$581,403.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 202,619	\$ 5,828,995
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,375,667	0
Changes in Proportion and Differences Between LEA's Contributions and Proportionate Share of Contributions	105,170	44,136
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	<u>2,381,768</u>	<u>N/A</u>
Total	<u>\$ 8,065,224</u>	<u>\$ 5,873,131</u>

The Anderson County School Department's employer contributions of \$2,381,768 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	\$ (886,912)
2019	(886,912)
2020	1,691,793
2021	267,151
2022	(374,795)
Thereafter	0

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

*Actuarial Assumptions.* The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability    \$ 26,438,295    \$ 4,814,691    \$ (13,097,328)

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

**2. Deferred Compensation**

Teachers hired after July 1, 2014, by the discretely presented Anderson County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Anderson County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Anderson County School Department contributed \$179,584 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

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

**Primary Government**

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active

employees or retired employees' premiums. Retirees with 30-plus years of service with Anderson County are eligible to continue coverage, until they are Medicare eligible, as long as the retiree continues to pay the premiums. For employees who retired after July 1, 2012, Anderson County pays \$300 per month premium assistance until attainment of age 65 when the employee becomes eligible for Medicare. This premium assistance increased to \$350 per month for eligible retirees who retired on or after September 1, 2016.

Annual OPEB Cost and Net OPEB Obligation

	Governmental Activities	Business- type Activities	Total Primary Government
ARC	\$ 46,309	\$ 6,946	\$ 53,255
Interest on the NOPEBO	7,706	1,088	8,794
Adjustment to the ARC	(11,141)	(1,573)	(12,714)
Annual OPEB cost	\$ 42,874	\$ 6,461	\$ 49,335
Amount of contribution	(22,344)	0	(22,344)
Increase/decrease in NOPEBO	\$ 20,530	\$ 6,461	\$ 26,991
Net OPEB obligation, 7-1-16	192,653	27,189	219,842
Net OPEB obligation, 6-30-17	\$ 213,183	\$ 33,650	\$ 246,833

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Fiscal Year-end
6-30-15	Primary Government	\$ 49,970	48.0 %	\$ 191,964
6-30-16	"	49,014	43.1	219,842
6-30-17	"	49,335	45.3	246,833

Funded Status and Funding Progress

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

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

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a four percent investment rate of return and an annual healthcare cost trend rate of five percent. The investment rate of return includes a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized on an open basis over a 30-year period using the level dollar method.

#### Discretely Presented Anderson County School Department

##### Plan Description

The Anderson County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*. Prior to

reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/article/fa-acffin-cafr>.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 403,000
Interest on the NOPEBO	53,681
Adjustment to the ARC	<u>(53,896)</u>
Annual OPEB cost	\$ 402,785
Amount of contribution	<u>(458,484)</u>
Increase/decrease in NOPEBO	\$ (55,699)
Net OPEB obligation, 7-1-16	<u>1,431,484</u>
Net OPEB obligation, 6-30-17	<u><u>\$ 1,375,785</u></u>



Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Fiscal Year-end
6-30-15	Local Education Group	\$ 327,531	104.4 %	\$ 1,417,405
6-30-16	"	389,787	96	1,431,484
6-30-17	"	402,785	113.8	1,375,785

### Funded Status and Funding Progress

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

	Local Education Group Plan
Actuarial valuation date	7-1-15
Actuarial accrued liability (AAL)	\$ 3,411,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,411,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 39,854,303
UAAL as a % of covered payroll	8.56%

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

### Actuarial Methods and Assumptions

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

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

**J. Termination Benefits**

The Anderson County School Department adopted a policy to pay employees for each sick day that they have accumulated at the time of their retirement. The benefit ranges from \$10 to \$60 based on years of service and date of notice of intent to retire. Since payments will be made at the actual time of their retirement, the amount of future payments was not measurable at June 30, 2017. Payments totaling \$35,700 were paid to individuals who retired during the year ended June 30, 2017.

The Anderson County School Department also has a retirement incentive bonus payment plan in accordance with contract provisions. This plan is available to all certified teachers who retire from the School Department with at least ten years of service in Anderson County and are between the ages of 55 and 60. Under the terms of the plan, employees with 30 or more years of service shall receive \$100 for each school year of service with the School Department. Employees with 25 to 29 years of service shall receive \$50 for each school year of service in the School Department. Since payments will be made at the actual time of their retirement, the amount of future payments was not measurable at June 30, 2016. Payments totaling \$24,000 were paid to individuals who retired during the year ended June 30, 2017.

**K. Office of Central Accounting, Budgeting, and Purchasing**

Anderson County operates under provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director.

**L. Purchasing Laws**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by her to serve as the county purchasing agent. Alternatively, the county may establish a separate Purchasing Department with a person hired as purchasing agent for the county. Anderson County began the year with a separate purchasing department and purchasing agent.

However, during the year, the county elected to eliminate the separate purchasing agent position and currently the finance director serves as the purchasing agent for Anderson County. All purchase orders are issued by the Finance Department. The Financial Management Committee established a policy that purchases exceeding \$20,000 for the County Mayor's Office and the Anderson County School Department are to be made on a competitive bid basis. Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, *Tennessee Code Annotated*. Competitive bids are also required on highway purchases exceeding \$20,000.

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

**A. Description of Organization**

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

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

**B. Summary of Significant Accounting Policies**

1. Basis of Accounting

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

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

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

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2017, has been calculated as follows:

Capital Assets	\$ 1,278,087
Less: Accumulated Depreciation	<u>(591,710)</u>
Capital Assets Being Depreciated, Net	<u>\$ 686,377</u>

Restricted: This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the district pursuant to those stipulations or that expire by the passage of time. The district had no restricted net position as of June 30, 2017.

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

2. Accounts Receivable

Accounts receivable, which are deemed uncollectible based upon a periodic review of the accounts, are charged to revenue. At June 30, 2017, no allowance for uncollectible accounts was considered necessary.

3. Capital Assets

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

4. Operating Budget

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

5. Compensated Absences

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

6. Use of Restricted/Unrestricted Net Position

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

**C. Cash**

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

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

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All of the district's cash and cash equivalent balances at June 30, 2017, were either insured through the Federal Deposit Insurance Corporation or through the State of Tennessee Bank Collateral Pool.

**D. Lease**

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

**E. Risk Management**

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

**F. Capital Assets**

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

	Balance			Balance
	7-1-16	Additions	Retirements	6-30-17
Capital Assets Depreciated:				
Communications Equipment	\$ 937,778	\$ 0	\$ 0	\$ 937,778
Furniture and Fixtures	69,906	0	0	69,906
Vehicle	19,425	30,008	0	49,433
Leasehold Improvements	72,920	4,700	0	77,620
Other Capital Assets	143,350	0	0	143,350
	<u>\$ 1,243,379</u>	<u>\$ 34,708</u>	<u>\$ 0</u>	<u>\$ 1,278,087</u>
Accumulated Depreciation	(493,299)	(98,411)	0	(591,710)
Capital Assets Depreciated, Net	<u>\$ 750,080</u>	<u>\$ (63,703)</u>	<u>\$ 0</u>	<u>\$ 686,377</u>

**G. Subsequent Events**

During the year ended June 30, 2017, the Board of Directors made the decision to enroll in Tennessee Consolidated Retirement System beginning on July 1, 2017. The district made a payment to TCRS on August 10, 2017, in the amount of \$144,254 to purchase past service credits for the employees who will be participating in the plan. The district and the employees participating in the plan are required to contribute 4.04% and 5%, respectively, of covered employee payroll to fund the pension plan beginning July 1, 2017.

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>.