NEW ISSUE Rating: Moody's – "Aa3"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating")

OFFICIAL STATEMENT

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

$21,370,000
HAWKINS COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2019

Dated: June 28, 2019 Due: June 1 (as shown below)

The $21,370,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds") of Hawkins County, Tennessee (the "County" or the "Issuer") 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 December 1, 2019 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

The Bonds maturing on or after June 1, 2027 are subject to optional redemption prior to maturity on or after June 1, 2026 as described herein.

Due (June 1)	Amount	Interest Rate	Yield	CUSIP**	Due (June 1)	Amount	Interest Rate	Yield	CUSIP**
2020	$ 1,020,000	5.00%	1.41%	420218SY6	2030	$ 310,000	4.00%	2.05% c	420218TJ8
2021	1,015,000	5.00	1.49	420218SZ3	2031	305,000	3.00	2.50 c	420218TK5
2022	1,075,000	5.00	1.52	420218TA7	2032	770,000	3.00	2.60 c	420218TL3
2023	625,000	5.00	1.56	420218TB5	2033	1,225,000	3.00	2.70 c	420218TM1
2024	660,000	5.00	1.59	420218TC3	2034	1,905,000	3.00	2.72 c	420218TN9
2025	705,000	5.00	1.63	420218TD1	2035	2,020,000	3.00	2.85 c	420218TP4
2026	230,000	5.00	1.65	420218TE9	2036	2,160,000	3.00	2.88 c	420218TQ2
2027	240,000	4.00	1.70 c	420218TF6	2037	3,250,000	3.00	2.95 c	420218TR0
2028	250,000	4.00	1.75 c	420218TG4	2038	3,345,000	3.00	3.00	420218TS8
2029	260,000	4.00	1.85 c	420218TH2					

c = Yield to call on June 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 James Phillips, III, Esq, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about June 28, 2019.

Cumberland Securities Company, Inc.
Municipal Advisor

June 4, 2019

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, as herein after defined, the Disclosure Certificate, as herein after defined, 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 Municipal Advisor or the Underwriter, as herein after defined, 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 Municipal 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 Municipal 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.

HAWKINS COUNTY, TENNESSEE

COUNTY OFFICIALS

Honorable Jim Lee	*County Mayor*
Nancy Davis	*County Clerk*
Jim Shanks	*County Trustee*
James Phillips, III	*County Attorney*
Jeff Thacker	*Assessor of Property*
Eric Buchanan	*Director of Accounts & Budgets*

BOARD OF COUNTY COMMISSIONERS

Danny Alvis
Nancy Barker
Jeff Barrett
George Bridwell
Rick Brewer
Larry Clonce
Glenda Davis
Mark Dewitte
Bob Edens
Dawson Fields
Keith Gibson
Valerie Goins
Michael Herrell
Charles Housewright
Raymond Jessee
Tom Kern
John Metz
Hannah Speaks
Donnie Talley
Charles Thacker
Syble Vaughan Trent

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

The Issuer	Hawkins County, Tennessee (the "County" or "Issuer"). See the section entitled "Supplemental Information Statement" for more information.
Securities Offered	$21,370,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds") of the County, dated June 28, 2019. The Bonds will mature each June 1 beginning June 1, 2020 through June 1, 2038, inclusive. See the section entitled "SECURITIES OFFERED – Authority and Purpose".
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose	The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Debt (as defined herein) of the County; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED - Authority and Purpose" contained herein.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 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 in calculating the 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 Investors Service: "Aa3". See the section entitled "MISCELLANEOUS - Rating" for more information.
Underwriter	FTN Financial Capital Markets, Memphis, Tennessee
Municipal Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Municipal Advisor; Related Parties; Other", herein.
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Book-Entry-Only	The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry System"
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").

General .... The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled 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 ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."

Other Information .... The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County or this *Official Statement* contact Mr. Jim Lee, County Mayor, 150 East Washington Street, Suite 2, Rogersville, Tennessee 37857, (423) 272-7359; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

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

	2014	2015	2016	2017	2018
Beginning Fund Balance	$ 6,273,214	$ 5,818,756	$6,025,499	$3,940,603	$3,305,439
Revenues	14,410,310	15,131,384	14,628,078	16,684,739	17,923,822
Expenditures	14,798,885	14,747,761	16,628,746	17,238,499	15,744,522
Other Financing Sources:					
Other Loans or Leases Issued	-	-			
Insurance Recovery	47,181	61,191	26,110	23,952	17,662
Transfers In	-	-			
.					
Transfers Out	(113,064)	(238,071)	(111,338)	(105,356)	(105,469)
Ending Fund Balance	**$5,818,756**	**$6,025,499**	**$3,940,603**	**$3,305,439**	**$5,396,932**

Source: Comprehensive Annual Financial Reports of the County.

$21,370,000
HAWKINS COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2019

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Hawkins County, Tennessee (the “County” or “Issuer”) of its $21,370,000 General Obligation Refunding Bonds, Series 2019 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the “Resolution”) duly adopted by the County Commission of the County on May 24, 2019.

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

REFUNDING PLAN

The County is proposing to issue the Bonds to refinance the County’s outstanding: (1) General Obligation School Bonds, Series 2009 (Federally Taxable Build America Bonds), dated August 28, 2009, maturing June 1, 2030 through June 1, 2035, inclusive and June 1, 2038 in the outstanding principal amount of $17,700,000 (the “Series 2009 Bonds”); (2) General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds), dated June 22, 2010, maturing May 1, 2020 through May 1, 2025 in the outstanding principal amount of $1,695,000 (the “Series 2010 Bonds”); (3) General Obligation Bonds, Series 2011, dated April 7, 2011, maturing May 1, 2020 and May 1, 2021 in the outstanding principal amount of $260,000 (the “Series 2011 Bonds); (4) General Obligation Bonds, Series 2013, dated July 10, 2013, maturing June 1, 2020 through June 1, 2025 in the outstanding principal amount of $1,300,000 (the “Series 2013 Bonds”) and (5) Loan Agreement with The Public Building Authority of Blount County, Tennessee dated May 15, 2008, maturing June 1, 2020 through June 1, 2022 in the outstanding principal amount of $1,380,000 (the “Series B-15-A Bonds”) (collectively, the “Outstanding Debt”). The Outstanding Debt will be called for redemption within 30 days of the closing.

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

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from June 28, 2019. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2019. The Bonds are issuable in book-entry only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the County Mayor and shall be attested by the County Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

SECURITY

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

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

The Bonds will not be obligations of the State of Tennessee.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026 in whole or in art at any time at a redemption price of par plus accrued interest.

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

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

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the

Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

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 dated 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 15^{th} 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.

BASIC DOCUMENTATION

REGISTRATION AGENT

The Bond Registration and Paying Agent, Regions Bank, Nashville, Tennessee, its successor (the "Registration Agent") 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 described in the following section entitled "Book-Entry-Only System".

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 (as herein after defined) 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 (as herein after defined) of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, as herein after defined, 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 U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registration Agent 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 MUNICIPAL 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 Municipal 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 system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter 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, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

(a) an amount, which together with investment earnings thereon and other legally available funds of the County, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Debt until and through the redemption date therefor shall be transferred to the paying agent and/or trustee for the Outstanding Debt to be held to the earliest optional redemption date and used for the payment and retirement of the Outstanding Debt; and

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

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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:

(a) 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;

(b) 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 or such notice); or

(c) By delivering such Bonds to the Registration Agent for cancellation by it;

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

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

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the

County, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, which 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 claims against the County, including claims in litigation, which, in the opinion of the County, would materially affect the County's financial position as it relates to its ability to make payments on the Bonds. 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. See the subsection entitled "Closing Certificates" for additional information.

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 treated as an item of tax preference in calculating the alternative minimum tax.

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

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

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

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the

Bonds or affect the market price of the Bonds. See also "CHANGES IN FEDERAL AND STATE LAW" below in this heading.

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 a 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 an 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 his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement,* in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

Moody's Investors Service ("Moody's") has given the Bonds the rating of "Aa3".

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

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

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on June 4, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 24, 2019.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $22,187,913.48 (consisting of the par amount of the Bonds, plus an original issue premium of $857,121.90 and less an underwriter's discount of $39,208.42) or 103.827391% of par plus accrued interest, if any, to the date of delivery.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the "Municipal 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 Municipal 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 Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal 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 Statements. 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 Municipal 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. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

ADDITIONAL DEBT

The County has not authorized any additional debt 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, Part 1 *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. (see DEBT STRUCTURE - Indebtedness and Debt Ratios for additional information.)

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2019 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by SEC Rule 15c2-2. 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-14;

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-15 and B-16;

3. Information about the Bonded Debt Service Requirements – General Obligation as of the end of such fiscal year as shown on page B-17;

4. Information regarding the Loan Requirements – General Purpose School Fund as shown on page B-18;

5. The fund balances and retained earnings for the fiscal year as shown on page B-19;

6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-20;

7. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-26;

8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-26; and

9. The ten largest taxpayers as shown on page B-27.

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 U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

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

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

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

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders, if material;

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

   i. Defeasances;

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

   k. Rating changes;

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

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

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

o. Incurrence of a financial obligation (which includes a debt obligation, a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the County, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, 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 (as described above) of the County, 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 ISSUER

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/ Jim Lee
County Mayor

ATTEST:

/s/ Nancy Davis
County Clerk

APPENDIX A

PROPOSED FORM OF LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Hawkins County, Tennessee (the "Issuer") of the $21,370,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds") dated June 28, 2019. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

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

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

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

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

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

Yours truly,

26576397.1

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Hawkins County (the "County") is situated in North East Tennessee. It is bordered by Sullivan, Washington, Green, Hamblen, Grainger and Hancock counties. The Town of Rogersville is the County seat. Other incorporated towns within the County are Bulls Gap, Church Hill, Kingsport (a portion is also located in Sullivan County) Mount Carmel, and Surgoinsville.

GENERAL

The land area of the County is approximately 480 square miles. The County is the site of numerous recreational facilities: The Ebbing and Flowing Springs, which is one of only two springs in the world that exhibits tidal characteristics. There are three parks, several historic districts and museums, and three golf courses. Hawkins County is also the home of the oldest Masonic Lodge in the State of Tennessee.

Kingsport is part of the Kingsport-Bristol Metropolitan Statistical Area (the "MSA"). According to the 2010 Census, the MSA has a population of 308,662. The cities in the MSA include Kingsport, Bristol, Tennessee and Bristol, Virginia. The Counties include Hawkins and Sullivan Counties in Tennessee. In 2004 the Tri-Cities MSA that included Johnson City was split into two MSAs, the Johnson City MSA and the Kingsport-Bristol MSA.

The City is also part of the Tri-Cities Combined Statistical Area (the "CSA") of Northeast Tennessee and Southwest Virginia. According to the 2010 Census, the CSA has a population of 509,669. The CSA is unusual in that there is no dominant central city, but Johnson City is the lead city. Other major cities in the CSA include Johnson City, Elizabethton, Jonesborough and Bristol, Tennessee and Bristol, Virginia. According to the 2010 US Census the County had a population of 56,833 and Rogersville had a population of 4,240.

TRANSPORTATION

The County is served by the Norfolk/Southern and CSX Railroads. Highway transportation is provided by State highways 66 and 70 and Federal highway 11W. Interstate 181 is within ten miles of the County, Interstate 81 is fifteen miles from the County, and Interstate 40 is thirty-five miles from the County. There are forty-five motor freight companies with one terminal facility. The nearest navigable waterway, the Tennessee River in Knoxville, is sixty miles away.

EDUCATION

Hawkins County School System has seventeen schools with a fall 2017 enrollment of 6,587 and 457 teachers. The System consists of twelve elementary schools, three middle schools, two high schools with one adult education facility and an early childhood learning center. *Rogersville*

City School was first built in 1923 and now serves grades 1-8 with a fall 2017 enrollment of 650 and 42 teachers.

Kingsport City Schools serves the residents of Kingsport including areas of Sullivan and Hawkins County. The City has thirteen school facilities: eight elementary schools, two middle schools and one high school, an alternative education facility and an early childhood learning center. The fall 2017 enrollment was 7,426 with 478 teachers.

Source: Tennessee Department of Education, Hawkins County Schools, Rogersville City School and Kingsport City Schools.

East Tennessee State University was founded in 1910 in the northeast corner of Tennessee. The 366-acre campus is located in southwest Johnson City, adjacent to the Veterans Administration and the Johnson City Medical Center Hospital. The university offers 74 majors of study in its undergraduate program, 30 degree fields in its master's programs and doctorates in education, education administration, and biomedical sciences. Fall 2017 enrollment was 14,448 students. Extended regional campuses are in Kingsport, Bristol, Elizabethton and Greeneville. In addition, the Quillen College of Medicine offers eight Doctor of Medicine degrees.
Source: East Tennessee State University and TN Higher Education Commission.

Northeast State Technical Community College was founded in 1966 as the Tri-Cities State Area Vocational-Technical. Northeast State is located at Blountville in Sullivan County, Tennessee, and had a fall 2017 enrollment of 6,124 students. In 2018 the College began construction on a $29.8 million complex (see "RECENT DEVELOPMENTS") for more information. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The College serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray, and Kingsport.
Source: Northeast State Technical Community College and TN Higher Education Commission.

The Tennessee College of Applied Technology at Elizabethton. The Tennessee College of Applied Technology at Elizabethton (the "TCAT-E") is part of a statewide system of 26 vocational-technical schools. The TCAT-E meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-E serves the northeast region of the state including Carter, Johnson, Sullivan, Unicoi and Washington Counties. See the new Kubota Corporate and TCAT-E partnership in "RECENT DEVELOPMENTS". The TCAT-E began operations in 1963, and the main campus is located in Carter County. In October of 1999, the school opened an instructional site in Mountain City, offering Business Systems Technology, and later in Kingsport, offering classes in Practical Nursing. The fall 2016 enrollment was 830 students.
Source: Tennessee Colleges of Applied Technology, Carter County and TN Higher Education Commission.

Walters State Community College, a public two-year higher education institution founded in 1970, is located in Morristown, Tennessee. The college offers programs of study that lead to the Associate of Science, Associate of Arts, and Associate of Applied Science degrees. Fall 2017 enrollment was 6,125 students, with about 1,100 of those students enrolled at the Greene County Center. There are four principal campuses in Hamblen, Sevier, Greene, and Claiborne counties. A $6 million renovation and expansion to the main campus was completed in late 2008. Please see "RECENT DEVELOPMENTS" for further details.

Walters State serves ten predominantly rural East Tennessee counties in the mountains and foothills of the Great Smokies and Clinch Mountains. The primary service area includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Sevier, and Union.

Source: Walter State Community College and TN Higher Education Commission.

HEALTHCARE

The Tri-Cities area has ten acute-care hospitals and many other healthcare facilities. In early 2018 the complex merger of Mountain States Health Alliance and Wellmont Health System was complete to form the new Ballad Health System. With the merger, all ten hospitals of the two systems located in the Tri-Cities area (there are 22 hospitals total) will remain open. The new Ballad Health System has seven hospitals in Johnson City, three facilities in Kingsport, and four hospitals in Bristol. Please see "RECENT DEVELOPMENTS" for more information.

There is also a hospital for veterans in Johnson City, the James H. Quillen VA Medical Center at Mountain Home. The national healthcare system Health South has the facility HealthSouth Rehabilitation Hospital in Kingsport. In addition, the East Tennessee State University located in Johnson City has the James H. Quillen College of Medicine that brings specialties to the area normally not available in a community of this size.

Ballad Health System. (formerly Mountain States Health Alliance and Wellmont Health System). Mountain States Health Alliance (founded in 1998) was based in Johnson City, and Wellmont Health System (founded in 1996) was based in Kingsport. The new healthcare system is solely comprised of the existing 22 facilities of both systems. Ballad Health System is now a premier healthcare provider in the Tri-State region, with hospitals and healthcare facilities in Northeast Tennessee, Southwest Virginia, Southeast Kentucky and North Carolina. Ballad is one of the region's largest employers.

Indian Path Community Hospital. Located in Kingsport, Indian Path Community Hospital (formerly Indian Path Medical Center) has 239 licensed beds and a full range of inpatient and outpatient services. Services include an emergency department, a family-centered birthing center and a full range of behavioral and addiction services, plus geriatric psychiatric services, through Indian Path Pavilion. Admissions for 2017 were 6,061 with an average daily census of 67. Indian Path is affiliated with Ballad Health System.

Source: Mountain States Health Alliance and the Business Journal.

Indian Path Pavilion. Indian Path Pavilion is a 48-bed provider of inpatient and outpatient mental health and chemical dependency services for individuals 18 and older. It is located in Kingsport and is a part of the Ballad Health System. Options provided for treatment include individual, family and group therapy. At Indian Path Pavilion, a team of professionals that includes clinicians, dietitians, psychiatric nurses, recreational therapists and other healthcare professionals under the leadership of a psychiatrist will assist the individual with finding the most beneficial level and intensity of treatment. The Pavilion offers a special Chemical Dependency Program by the region's only Addictionologist. Indian Path Pavilion emphasizes the practice of abstinence and the 12-step model for treating individuals who have significant problems with alcohol, drugs or other addictive behavior. All of the services provided at Indian Path Pavilion offer continued care with outpatient services.

Source: Mountain States Health Alliance.

Hawkins County Memorial Hospital. Hawkins County Memorial Hospital is located in Rogersville and is part of the Ballad Health System. The hospital opened in 1958 and has 50 licenses beds with about 50 physicians and 160 nurses, technicians and support staff. The services provided include emergency care, physical and occupational therapies, surgery, intensive care, outpatient specialty clinics (including neurology services) and diagnostic imaging (including CT and nuclear medicine). Admissions for 2017 were 965 with an average daily census of 8.

Source: Wellmont Health System and the Business Journal.

Holston Valley Medical Center. Located in Kingsport, the Holston Valley Medical Centre has one of Tennessee's only six Level I trauma center that is equipped to care for the most critically injured patients. The 505-bed facility also has a Level III neonatal intensive care unit to care for the sickest babies. It is part of the regional Ballad Health System. The facility has more than 450 board-certified or board-eligible physicians. In 2005 a $113 million renovation, called the Project Platinum, began. The construction provided a new intensive care unit, new operating suites, expanded emergency and radiology departments, additional parking areas and a new grand entrance drive and bridge to provide improved hospital access. Admissions for 2017 were 18,032 with an average daily census of 215.

Source: Wellmont Health System and the Business Journal.

Wellmont Madison House. Wellmont Madison House, located in Kingsport, provides assisted living and a therapeutic day program for frail elderly persons and mid-life adults with a chronic illness. Medical care in the home is provided 24 hours a day, seven days a week, through Wellmont Home Care. It is part of the regional Ballad Health System.

Source: Wellmont Health System.

Creekside Behavioral Health. Located in Kingsport and Sullivan County, the Creekside Behavioral Health opened a 72-bed inpatient hospital in 2018 that serves children, adolescents, adults, and seniors facing mental health and substance abuse challenges. Affiliated with Strategic Behavioral Health, Creekside Behavioral Health began operations with a staff of around 150, and plans to grow to up to 250. Strategic Behavioral Health has invested around $20 million in the Kingsport facility.

HealthSouth Rehabilitation Hospital. HealthSouth Rehabilitation Hospital of Kingsport is an acute inpatient rehabilitation hospital with 50 licensed beds. The hospital treats patients annually from Southwest Virginia, Northeast Tennessee, Southeastern Kentucky and Northwestern North Carolina. Admissions for 2015 were 767 with an average daily census of 31.

The hospital offers care by physician specialists in physical medicine and rehabilitation, pulmonology, neurology, gastroenterology, ENT, internal medicine and family practice. HealthSouth is focused on helping patients achieve the best possible quality of life and strives for community reintegration of all patients. Inpatient treatment focuses on daily living activities so patients can return home with greater function and independence. Approximately 80 percent of patients return home. HealthSouth is one of the nation's largest healthcare services providers.

Source: Health South and the Business Journal.

POWER PRODUCTION

John Sevier Fossil Plant. Tennessee Valley Authority's ("TVA") John Sevier Fossil Plant is on the Holston River near Rogersville in Hawkins County. Construction began in 1952 and was completed in 1957. John Sevier has four coal-fired generating units. The winter net dependable generating capacity is 712 megawatts. The plant consumes about 5,700 tons of coal a day.

Electricity is produced at John Sevier's four 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. John Sevier generates five billion kilowatt-hours of electricity a year, enough to supply 350,000 homes. One of John Sevier's generating units set a continuous-run record in 2004, operating without any interruptions for repairs or maintenance for longer than ever before.

To reduce sulfur dioxide (SO_2) emissions from the plant, all four units use a blend of low-sulfur coal. To reduce nitrogen oxide (NO_X) emissions, all units have low-NO_X burners installed. By 2010, TVA will have spent about $6 billion on emissions controls at its fossil-fuel plants to ensure that the power supply is generated as cleanly as possible, consistent with efficiency.

TVA will build a $820 million natural gas power plant near the site of the John Sevier coal plant. North Carolina has sued TVA for coal emissions from the John Sevier plant, which TVA is currently appealing. The John Sevier plant is in danger of being closed in the future, so TVA has planned the new construction.

Source: Tennessee Valley Authority and Knoxville News Sentinel.

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MANUFACTURING AND COMMERCE

There are two industrial districts in the County; Phipps Bend Industrial District and Rogersville Industrial District. The following includes the largest employers in the county, their product, and the approximate level of employment:

Major Employers in Hawkins County and Kingsport[1]

Company	Location	Product	Employees
Ballad Health Corp*	Johnson City	Healthcare	11,230
Eastman Chemical Company	Kingsport	Chemicals, Fibers, Plastics	7,000
Pals Sudden Service	Kingsport	Restaurant	1,177
Kingsport City Schools	Kingsport	Education	1,123
Hawkins County Schools	Rogersville	Education	1,105
BAE Systems	Kingsport	Chemicals & Explosives	947
Holston Medical Group	Kingsport	Healthcare	877
City of Kingsport	Kingsport	Government	736
Brock	Kingsport	Manufacturing	772
TEC Industrial Maintenance	Kingsport	Manufacturing	575
Eastman Credit Union	Kingsport	Credit Union	544
Copper Standard Automotive	Surgoinsville	Automotive Tubing	477
TRW Automotive	Rogersville	Steering Components	431
Domtar	Kingsport	Paper	330
Baldor Dodge Reliance	Rogersville	Ball bearings	240
Silgan Packaging	Kingsport	Manufacturer	200
Sam Dong, Inc.	Rogersville	Wire Magnetic Products	200

[1] *Ballad Health is a merger of Mountain States Health Alliance and Wellmont Health Systems. Includes employees from multiple areas in the Tri-Cities area.*
[2] Includes employment figures in the City of Kingsport, which is located in both Sullivan and Hawkins Counties.

Source: Business Journal of the Tri-Cities, Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee, Johnson City / Washington County Economic Development Board – 2018

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The following is a list of the major sources of employment in Tri-Cities area (*Carter County*: Johnson City; *Hawkins County:* Kingsport, Rogersville, Bulls Gap, Surgionsville and Church Hill; *Greene County*: Greeneville; *Sullivan County:* Bristol, Kingsport, Johnson City and Piney Flats; *Washington County:* Johnson City, Jonesborough, Gray, Telford and Midway; and in nearby Bristol, Virginia):

Major Employers in the Tri-Cities Area

Company	Location	Product	Employees
Ballad Health Corp*	Johnson City	Healthcare	11,230
Eastman Chemical Company	Kingsport	Chemicals, Fibers, Plastics	7,000
East Tennessee State University	Johnson City	Education	2,450
Veterans Administration Hospital	Johnson City	Healthcare	2,400
Citigroup	Gray	Credit Card Programs	1,973
Advance Call Center Tech	Johnson City	Communications	1,500
Sullivan County Schools	Blountville	Education	1,444
Washington County School System	Johnson City	Education	1,200
Pinnacle Retail Center (collectively)	Bristol, TN	Retail	1,200
Pals Sudden Service	Kingsport	Restaurant	1,177
Kingsport City Schools	Kingsport	Education	1,123
Hawkins County Schools	Rogersville	Education	1,105
AO Smith (American Water Heater Group)	Johnson City	Water Heaters	1,076
Johnson City School System	Johnson City	Education	1,071
Frontier Health[2]	Gray	Rehabilitative Healthcare	1,035
Teleperformance	Bristol, TN	Telecommunications	960
BAE Systems	Kingsport	Chemicals & Explosives	947
City of Johnson City	Johnson City	Government	937
Holston Medical Group	Kingsport	Healthcare	877
SumiRiko	Midway	Manufacturing	800
Nuclear Fuel Services	Erwin	Nuclear Fuel	750
City of Kingsport	Kingsport	Government	736
Barrette Outdoor Living	Bulls Gap	Wood & Vinyl Fencing	700
Brock	Kingsport	Manufacturing	772
State of Franklin Healthcare	Johnson City	Healthcare	642
CenturyLink	Bristol, TN	Telecommunications	640
Line Power Federal Pacific	Bristol, VA	Manufacturing	600
Northeast Correctional Complex	Mountain City	Corrections	580
TEC Industrial Maintenance	Kingsport	Manufacturing	575
Agero	Bristol, TN	Manufacturing	550
Eastman Credit Union	Kingsport	Credit Union	544
Universal Fibers	Bristol, VA	Manufacturing	530
HSN	Piney Flats	Distribution	510
Copper Standard Automotive	Surgoinsville	Automotive Tubing	477
American Greetings	Afton	Manufacturing	461
Parker Hannifin Corp	Greeneville	Hydraulic	440

Company	Location	Product	Employees
John Deere Power Products Inc	Greeneville	Agricultural Equipment	431
TRW Automotive	Rogersville	Steering Components	431
Bristol School System	Bristol, TN	Education	414
Worthington Industries	Greeneville	Manufactured Cabs	410
Huff North America	Greeneville	Automotive Locks	400
Parkdale Mills	Mountain City	Textiles	400
TPI Corporation	Gray	Heaters Manufacturing	389
Snap-On Tools	Elizabethton	Hand Tools	361
Shearer Foods	Bristol, VA	Food Manufacturing	340
City of Bristol	Bristol, TN	Government	332
Robinette Company	Bristol, TN	Printed Roll Stock	330
Domtar	Kingsport	Paper	330
Bell Helicopter	Piney Flats	Aircraft Outfitting	300
Jarden Zinc Products	Greeneville	Zinc Products for coinage	270
Specialty Tires of America	Unicoi	Tires	260
Kennametal, Inc.	Johnson City	Carbide Alloys	250
Mullican Flooring	Johnson City	Flooring	250
Strongwell Corporation	Bristol, VA	Manufacturing	250
Baldor Dodge Reliance	Rogersville	Ball bearings	240
NN Inc., Tsubaki Nakashima	Erwin	Rollers and Bearings	229
Royal Building Products	Bristol, TN	Molded products	225
Bristol Metals	Bristol, TN	Metal Fabricating	220
Crown Tonka Walk-Ins	Greeneville	Walk-In Coolers	220
Modern Forge	Piney Flats	Manufacturing	220
Dentsply Tulsa Dental Products	Johnson City	Manufacturing	210
Manitowoc Walk-Ins (Kysor)	Piney Flats	Walk-In Coolers	200
Silgan Packaging	Kingsport	Manufacturer	200
Sam Dong, Inc.	Rogersville	Wire Magnetic Products	200

** Ballad Health is a merger of Mountain States Health Alliance and Wellmont Health Systems. Includes employees from multiple areas in the Tri-Cities area.*
*** Based on estimates of full hiring capacity.*
Source: Business Journal of the Tri-Cities, Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee and Johnson City - 2018.

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EMPLOYMENT INFORMATION

As of March 2019, the unemployment rate of Kingsport stood at 3.8%, representing 22,510 persons employed out of a workforce of 23,400. As of March 2019, the unemployment rate in Hawkins County stood at 3.9%, representing 23,330 persons employed out of a workforce of 24,280.

The unemployment rate for March 2019 in the Kingsport-Bristol MSA stood at 3.7%, representing 134,740 persons employed out of a workforce of 139,930. The unemployment rate for March 2019 in the Tri-Cities CSA stood at 3.7%, representing 225,100 persons employed out of a workforce of 233,710.

Unemployment

	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**	Annual Average **2017**
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
Kingsport	**8.0%**	**6.5%**	**6.0%**	**5.4%**	**4.2%**
Index vs. National	108	105	113	110	95
Index vs. State	103	98	107	115	114
Hawkins County	**8.8%**	**7.3%**	**6.4%**	**5.4%**	**4.2%**
Index vs. National	119	118	121	110	95
Index vs. State	113	111	114	115	114
Kingsport-Bristol MSA	**7.5%**	**6.5%**	**5.6%**	**5.1%**	**4.1%**
Index vs. National	101	105	106	104	93
Index vs. State	96	98	100	109	111
Tri-Cities CSA	**7.8%**	**6.7%**	**5.8%**	**5.2%**	**4.1%**
Index vs. National	105	108	109	106	93
Index vs. State	100	102	104	111	111

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

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ECONOMIC DATA

Per Capita Personal Income

	2013	2014	2015	2016	2017
National	$44,826	$47,025	$48,940	$49,831	$51,640
Tennessee	$39,549	$40,977	$42,810	$43,932	$45,517
Hawkins County	**$30,152**	**$30,884**	**$32,036**	**$32,423**	**$33,439**
Index vs. National	67	66	65	65	65
Index vs. State	76	75	75	74	73
Kingsport-Bristol MSA	**$35,733**	**$35,975**	**$36,897**	**$37,228**	**$38,823**
Index vs. National	80	77	75	75	75
Index vs. State	90	88	86	85	85
Tri-Cities CSA	**$35,325**	**$35,843**	**$37,034**	**$37,482**	**$38,960**
Index vs. National	79	76	76	75	75
Index vs. State	89	87	87	85	86

Source: University of Tennessee, Center for Business and Economic Research.

Social and Economic Characteristics

	National	Tennessee	Hawkins County	Kingsport
Median Value Owner Occupied Housing	$193,500	$151,700	$115,400	$136,000
% High School Graduates or Higher Persons 25 Years Old and Older	87.30%	86.50%	83.0%	87.1%
% Persons with Income Below Poverty Level	12.30%	15.00%	16.7%	20.0%
Median Household Income	$57,652	$48,708	$38,728	$39,135

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

PARKS AND RECREATION

Cherokee Dam and Reservoir. Tennessee Valley Authority's ("TVA") Cherokee Dam is located on the Holston River in Jefferson City, 52 miles upstream from the point at which the Holston and French Broad Rivers converge to form the Tennessee. Cherokee Reservoir spans Jefferson, Grainger, Hamblen and Hawkins Counties. The Reservoir attracts millions of recreational visitors each year to its public access areas, fishing areas, camping sites, county and municipal parks, commercial boat docks and resorts, a state park, and a state wildlife management area. Cherokee was built to generate hydroelectric power during the World War II emergency, but it also plays an important role as one of the chain of TVA reservoirs that over the years have prevented billions of dollars of flood damage in areas downstream. The deep waters of Cherokee Reservoir lose oxygen during the summer months, and the water that generates power is drawn out of these depths. In order to increase oxygen levels for aquatic life below the reservoir, TVA injects oxygen through miles of perforated hoses suspended above the reservoir bottom. TVA also uses huge, slow-turning fans just above the dam to push oxygenated surface water into the depths of the reservoir.

Source: Tennessee Valley Authority.

Fort Patrick Henry Dam and Reservoir. Tennessee Valley Authority's ("TVA") Fort Patrick Henry Dam is located in Kingsport on the South Fork Holston River. Fort Patrick Henry Reservoir extends 10 miles in Sullivan County upstream from the Dam to Boone Dam. Fort Patrick Henry Reservoir is a popular site for fishing, particularly rainbow trout, bluegill, bass, and crappie. Warrior's Path State Park is located on the reservoir.

Source: Tennessee Valley Authority.

Warriors' Path State Park. Warriors' Path State Park is located in Kingsport in Sullivan County. It was named for the park's proximity to the ancient war and trading path used by the Cherokee. The 950-acre area was acquired from the Tennessee Valley Authority is 1952, to serve the people who live in or visit this section of Northeast Tennessee. It is situated on the shores of TVA's Patrick Henry Reservoir on the Holston River. The park offers boating, fishing, many hiking trails, campsites, picnic facilities and a swimming pool.

Source: Tennessee State Parks.

RECENT DEVELOPMENTS

AGC Glass. Weak demand for solar glass has caused AGC Glass North America to permanently close its Blue Ridge Plant in Kingsport in late 2012. The company's Corporate Services Center next to the plant will continue to operate with more than 125 workers.

Anita's Snack Foods. In 2018 California based Anita's Snack Foods began operations in the former Pure Foods building in the Gateway Commerce Park in Kingsport. The company acquired the 88,000-square-foot building and operation in May of 2018. Anita's Snack Foods have hired about 60 employees with plans to add more than 100 more.

City of Kingsport Transportation. The City of Kingsport has converted its vehicle fleet to propane autogas to both make the fleet more environmentally sustainable and to save the city money in fuel costs. As a result, the City now has one of the largest alternative fueled fleets in the state. As of May 2018, the City's fleet included 96 propane-powered vehicles, ranging from lawn mowers to police cars. The City also has 21 hybrid and electric vehicles currently in use. Through the use of these vehicles, the City has been able to displace usage of over 197,000 gallons of gasoline from 2013-2017. This earned the City the 2018 Tennessee Sustainable Transportation Award from the Tennessee Department of Environment and Conservation in partnership with the Tennessee Department of Transportation.

Eastman Chemical Company. Eastman Chemical Company is located in Kingsport on the Sullivan County side. In 2013 the company began a $1.6 billion expansion that will bring in 300 new jobs. The seven-year project is expected to be finished on the 100th anniversary of Eastman in 2020. The project will include safety and environmental projects, increased warehouse capacity, building renovations and expansion of its corporate campus. In 2011 the company purchased Sterling Chemicals Inc. for $100 million in cash. The assets bought, a plasticizer and acetic acid manufacturing facility, are located in Texas. In 2009 the company slashed costs by more than $200 million by cutting up to 300 jobs in response to the current economic turmoil. Eastman is the largest manufacturing employer in Tennessee.

Healthcare Merger. Mountain States Health Alliance and Wellmont Health System have started the process to merge and form Ballad Health. As many rural hospitals faced a declining patient population, the health care systems announced a merger proposal in April 2015. Seeking federal antitrust refuge through state approval, Mountain States and Wellmont submitted detailed applications to the Tennessee Department of Health and the Southwest Virginia Health Authority. As of January 2017, the merger has yet to be approved but is still in consideration.

Kubota Diesel Certified Technician Program. Kubota Corporate has partnered with five schools across the country to train diesel mechanics focused on agricultural and construction equipment. Kubota stores in Johnson City, Greene County and in Washington County are partnering with the Tennessee College of Applied Technology at Elizabethton (the "TCAT-E"), one of the schools chosen by Kubota Corporate. The local stores are donating equipment for students to work on during the program and the school will also borrow specific machines for students to utilize for different portions of the course.

Miyake Forging North America Corp. In 2018 Miyake Forging North America Corporation, a Japan-based bearing and parts company opened a 45,000-square-foot plant in Phipps Bend Industrial Park, investing $13.7 million and creating 60 new jobs in Surgoinsville. The facility uses hot and cold forging processes to manufacture automotive bearing parts that facilitate movement in machines, most notably automobiles. Among those are ball bearings, transmission and clutch bearings, hub bearings, tension bearings, taper and needle bearings. The company also manufactures parts for automotive steering and brake assemblies, as well as CVT and constant-velocity joints. In addition, parts are manufactured for motorcycles, piping and shafts.

Northeast State Technical Community College. In 2018 Northeast State Technical Community College began construction on a $29.8 million Technical Education Complex. The 114,475 square-foot building will house the divisions of Business and Advanced Technologies. The complex will replace the oldest buildings on campus, which were built in the 1960s and early 1970s

RMC Advanced Technologies. RMC Advanced Technologies will locate its U.S. headquarters and establish a manufacturing facility in Surgoinsville beginning in 2018. The composite components manufacturer will invest $7 million and create 54 new jobs in Hawkins County. RMC Advanced Technologies, a subsidiary of Sigma Industries Inc., produces and sells composite components. The company offers products for the heavy-duty truck, coach, transit and bus, machinery, agriculture and wind energy markets. Sigma Industries Inc. was founded in 2005 and is based in Canada.

Walters State Community College. WSCC completed a $20 million expansion and renovation to its campus in Greeneville in 2015. Largely funded by a state grant, the project includes newly constructed and renovated buildings with new green spaces.

The new 104,000 square-foot building has enabled Walters State to add an occupational therapist assistant program and expand its physical therapist assistant program. The college also expanded its public safety programs at the campus, including the Walters State Law Enforcement Academy. The new building features four natural science labs; four allied health labs; seven general education classrooms; four collaborator rooms in support of the college's nationally recognized mobile-learning initiative; a large learning-support emporium; three computer labs; a learning resource center; a 234-seat lyceum; a cafeteria, and a residential police academy and public safety training labs and classrooms.

Work Ready Certification. Hawkins County earned the Work Ready Certification from ACT, Inc. in National Career Readiness Certificates (NCRC) in 2018. ACT Certified Work Ready Communities (CWRC) empowers counties and states with process, data and tools deployed in a common workforce development framework to drive economic growth by certifying counties as work ready communities when established goals are attained. Only 7.8 percent of the counties in the United States have this certification. Site Selection magazine uses the number of NCRCs as one of three measures for identifying America's "Hot Places to Do Business." NCRCs are an identifier of a qualified workforce.

Source: Knoxville News Sentinel and Johnson City Press.

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HAWKINS COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE	DUE DATE	INTEREST RATE(S)	Notes	(1) As of June 30, 2018 OUTSTANDING	(1) As of June 30, 2019 OUTSTANDING
$27,745,000 Loan Agreement, Series B-15-A	June 2036	Fixed		$ 1,805,000	$ 1,380,000
$16,150,000 Loan Agreement, Series VII-A-1	Jun 2029	Synthetic Rate	2,3	16,150,000	16,150,000
$17,700,000 G.O. School Bonds, Series 2009 (Taxable Build America Bonds)	June 2038	Fixed		17,700,000	17,700,000
$3,600,000 General Obligation Bonds, Series 2010 (Taxable Build America Bonds)	May 2025	Fixed		2,045,000	1,695,000
$7,790,000 General Obligation Bonds, Series 2011	May 2021	Fixed		1,450,000	260,000
$2,500,000 General Obligation Bonds, Series 2013	June 2025	Fixed		1,500,000	1,300,000
$9,460,000 General Obligation Refunding Bonds, Series 2014	June 2036	Fixed		9,205,000	9,130,000
$9,655,000 General Obligation Refunding Bonds, Series 2015	June 2036	Fixed		9,420,000	9,355,000
$9,730,000 General Obligation Refunding Bonds, Series 2016	June 2033	Fixed		8,970,000	8,385,000
				$ 68,245,000	$ 65,355,000
BONDED DEBT ISSUED POST JUNE 30, 2019					
$21,370,000 General Obligation Refunding Bonds, Series 2019	June 2038	Fixed		-	21,370,000
Less: Bonds Being Refinanced	June 2038	Fixed		-	(22,335,000)
				$ 68,245,000	$ 64,390,000
Loans Payable by General Purpose School Fund					
$2,640,000 Qualified School Construction Loan Agreement, Series 2009	Sept 2026	Fixed	4	$ 2,640,000	$ 2,640,000
$2,333,000 Qualified School Construction Loan Agreement, Series 2010	Sept. 2027	Fixed	5	2,333,000	2,333,000
$740,728 Loan Agreement, Series 370-001 - EESI Program	2019	Fixed		35,238	-
$767,272 Loan Agreement, Series 370-002 - EESI Program	2022	Fixed		281,328	204,600
$158,556 Loan Agreement, Series 370-003 - EESI Program	2028	Fixed		134,179	121,321
$266,859 Loan Agreement, Series 370-004 - EESI Program	2027	Fixed		253,986	228,094
NET BONDED DEBT - Payable General Purpose School Fund				$ 5,677,731	$ 5,527,015

Debt Payable by General Fund and Highway Fund

NOTES:

(1) The above figures do not include all short-term notes or capitalized leases. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) The County budgets to account for interest rate and/or basis risk. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(3) The Public Building Authority on behalf of the Borrower has entered into an interest rate swap agreement on the Series V-B-1 Bonds which were refinanced with the Series VII-A-1 Bonds. The interest rate hedging agreement remained outstanding and is payable under the V-B-1 Loan Agreement which stays outstanding for purposes of the interest rate hedging agreement. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(4) The Qualified School Constructions Bonds, Series 2009 requires annual Loan Repayments from the County to be deposited into a Sub-Account with the State of Tennessee for the principal repayment on the Series 2009 QSCB on September 1, 2026. As of June 30, 2019, the County has already made $1,455,110 in Loan Repayments, leaving only $1,184,890 remaining.

(5) The Qualified School Constructions Bonds, Series 2010 requires annual Loan Repayments from the County to be deposited into a Sub-Account with the State of Tennessee for the principal repayment on the Series 2010 QSCB on September 1, 2027. As of June 30, 2019, the County has already made $1,140,342 in Loan Repayments, leaving only $1,192,658 remaining.

HAWKINS 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 Fiscal Years Ended June 30					Unaudited	After Issuance
INDEBTEDNESS	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2019**
General Obligation Bonds & Notes & Loans (1)	$ 77,362,498	$ 78,077,397	$ 79,036,325	$ 72,586,136	$ 68,245,000	$ 65,355,000	$ 64,390,000
General Purpose School Fund Loans	6,019,502	5,837,018	5,813,090	5,618,990	5,677,731	5,527,015	5,527,015
TOTAL TAX SUPPORTED	$ 83,382,000	$ 83,914,415	$ 84,849,415	$ 78,205,126	$ 73,922,731	$ 70,882,015	$ 69,917,015
TOTAL DEBT	$ 83,382,000	$ 83,914,415	$ 84,849,415	$ 78,205,126	$ 73,922,731	$ 70,882,015	$ 69,917,015
Less: Debt Service Funds	(15,258,134)	(13,270,523)	(13,541,766)	(13,216,850)	(12,399,005)	*(12,399,005)*	*(12,399,005)*
NET DIRECT DEBT	$ 68,123,866	$ 70,643,892	$ 71,307,649	$ 64,988,276	$ 61,523,726	$ 58,483,010	$ 57,518,010

PROPERTY TAX BASE							
Estimated Actual Value	$ 3,725,601,220	$ 3,742,682,269	$ 3,776,121,972	$ 3,723,683,676	$ 3,986,142,727	$ 3,986,142,727	$ 3,986,142,727
Appraised Value	3,725,601,220	3,742,682,269	3,776,121,972	3,723,683,676	3,823,906,718	3,823,906,718	3,823,906,718
Assessed Value	1,041,083,354	1,045,488,413	1,055,905,782	1,048,203,306	1,083,877,943	1,083,877,943	1,083,877,943

(1) The above figures may not include all short-term notes or capitalized leases. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. Includes the Qualified School Construction Loan Agreement, Series 2009 and Series 2010 (Net of sinking fund payments) and the EESI Loans payable from the General Purpose School Fund and the Communication Equipment leases and the Industrial Development Board Spec Building Note.

	For Fiscal Years Ended June 30					Unaudited	After Issuance
DEBT RATIOS	2014	2015	2016	2017	2018	2019	2019
TOTAL DEBT to Estimated Actual Value	2.24%	2.24%	2.25%	2.10%	1.85%	1.78%	1.75%
TOTAL DEBT to Appraised Value	2.24%	2.24%	2.25%	2.10%	1.93%	1.85%	1.83%
TOTAL DEBT to Assessed Value	8.01%	8.03%	8.04%	7.46%	6.82%	6.54%	6.45%
NET DIRECT DEBT to Estimated Actual Value	1.83%	1.89%	1.89%	1.75%	1.54%	1.47%	1.44%
NET DIRECT DEBT to Appraised Value	1.83%	1.89%	1.89%	1.75%	1.61%	1.53%	1.50%
NET DIRECT DEBT to Assessed Value	6.54%	6.76%	6.75%	6.20%	5.68%	5.40%	5.31%
PER CAPITA RATIOS							
POPULATION (1)	56,735	56,471	56,563	56,459	56,459	56,459	56,459
PER CAPITA PERSONAL INCOME (2)	$30,884	$32,036	$32,423	$33,439	$33,439	$33,439	$33,439
Estimated Actual Value to POPULATION	65,667	66,276	66,760	65,954	70,602	70,602	70,602
Assessed Value to POPULATION	18,350	18,514	18,668	18,566	19,198	19,198	19,198
Total Debt to POPULATION	1,470	1,486	1,500	1,385	1,309	1,255	1,238
Net Direct Debt to POPULATION	1,201	1,251	1,261	1,151	1,090	1,036	1,019
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.76%	4.64%	4.63%	4.14%	3.92%	3.75%	3.70%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%

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

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

HAWKINS COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y. Ended	Existing General Obligation Debt - As of June 30, 2019				%	General Obligation Refunding Bonds, Series 2019			% 2019	Less: Bonds Refinanced				Total Bonded Debt Service Requirements[1]				% All
6/30	Principal	Interest[2]	Net Treasury Rebate[3]	TOTAL	Principal Repaid	Principal	Interest[4]	TOTAL	Principal Repaid	Principal	Interest	Net Treasury Rebate[3]	TOTAL	Principal	Interest[2]	Net Treasury Rebate[3]	TOTAL	Principal Repaid
2020	$ 3,080,000	$ 2,796,510	$ (384,513)	$ 5,491,997	4.71%	$ 1,020,000	$ 701,428	$ 1,721,428	4.77%	$ (1,065,000)	$ (1,171,673)	$ 384,513	$ (1,852,160)	$ 3,035,000	$ 2,326,265	$ -	$ 5,361,265	4.71%
2021	3,210,000	2,681,546	(379,411)	5,512,135		1,015,000	707,300	1,722,300		(1,120,000)	(1,232,516)	379,411	(1,973,105)	3,105,000	2,156,330	-	5,261,330	
2022	2,980,000	2,561,664	(375,984)	5,165,680		1,075,000	656,550	1,731,550		(950,000)	(1,190,926)	375,984	(1,764,942)	3,105,000	2,027,288	-	5,132,288	
2023	3,105,000	2,444,711	(372,175)	5,177,536		625,000	602,800	1,227,800		(480,000)	(1,153,486)	372,175	(1,261,311)	3,250,000	1,894,025	-	5,144,025	
2024	3,180,000	2,333,091	(368,163)	5,144,928	23.80%	660,000	571,550	1,231,550	20.57%	(495,000)	(1,135,766)	368,163	(1,262,603)	3,345,000	1,768,875	-	5,113,875	24.60%
2025	3,285,000	2,215,588	(363,908)	5,136,679		705,000	538,550	1,243,550		(525,000)	(1,115,775)	363,908	(1,276,867)	3,465,000	1,638,363	-	5,103,363	
2026	2,895,000	2,092,325	(359,033)	4,628,292		230,000	503,300	733,300		-	(1,093,613)	359,033	(734,580)	3,125,000	1,502,013	-	4,627,013	
2027	3,000,000	1,983,563	(359,033)	4,624,530		240,000	491,800	731,800		-	(1,093,613)	359,033	(734,580)	3,240,000	1,381,750	-	4,621,750	
2028	3,120,000	1,867,837	(359,033)	4,628,804		250,000	482,200	732,200		-	(1,093,613)	359,033	(734,580)	3,370,000	1,256,425	-	4,626,425	
2029	3,250,000	1,747,450	(359,033)	4,638,417	47.59%	260,000	472,200	732,200	28.45%	-	(1,093,613)	359,033	(734,580)	3,510,000	1,126,037	-	4,636,037	50.55%
2030	3,415,000	1,619,625	(359,033)	4,675,592		310,000	461,800	771,800		(500,000)	(1,093,613)	359,033	(1,234,580)	3,225,000	987,813	-	4,212,813	
2031	3,530,000	1,504,750	(349,512)	4,685,238		305,000	449,400	754,400		(500,000)	(1,064,613)	349,512	(1,215,100)	3,335,000	889,538	-	4,224,538	
2032	3,670,000	1,383,730	(339,827)	4,713,903		770,000	440,250	1,210,250		(975,000)	(1,035,113)	339,827	(1,670,285)	3,465,000	788,868	-	4,253,868	
2033	3,790,000	1,241,358	(320,622)	4,710,736		1,225,000	417,150	1,642,150		(1,450,000)	(976,613)	320,622	(2,105,991)	3,565,000	681,895	-	4,246,895	
2034	4,000,000	1,080,873	(291,822)	4,789,051	75.76%	1,905,000	380,400	2,285,400	49.58%	(2,150,000)	(888,888)	291,822	(2,747,066)	3,755,000	572,385	-	4,327,385	77.49%
2035	4,165,000	886,863	(248,412)	4,803,450		2,020,000	323,250	2,343,250		(2,300,000)	(756,663)	248,412	(2,808,250)	3,885,000	453,450	-	4,338,450	
2036	4,330,000	678,988	(201,597)	4,807,391		2,160,000	262,650	2,422,650		(2,475,000)	(614,063)	201,597	(2,887,466)	4,015,000	327,575	-	4,342,575	
2037	3,600,000	459,375	(150,813)	3,908,562		3,250,000	197,850	3,447,850		(3,600,000)	(459,375)	150,813	(3,908,562)	3,250,000	197,850	-	3,447,850	
2038	3,750,000	234,375	(76,945)	3,907,430	100.00%	3,345,000	100,350	3,445,350	100.00%	(3,750,000)	(234,375)	76,945	(3,907,430)	3,345,000	100,350	-	3,445,350	100.00%
	$ 65,355,000	**$ 31,814,220**	**$ (6,018,870)**	**$ 91,150,350**		**$21,370,000**	**$ 8,760,778**	**$30,130,778**		**$(22,335,000)**	**$(18,497,905)**	**$ 6,018,870**	**$(34,814,035)**	**$64,390,000**	**$22,077,092**	**$ -**	**$86,467,092**	

NOTES:

(1) The above figures may not include all short-term notes or capitalized leases. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. Includes the Communication Equipment leases and the Industrial Development Board Spec Building Note.

(2) The County budgets to account for interest rate and/or basis risk. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(3) Net Treasury Rebate - Includes Treasury Rebate and Sequester on the General Obligation School Bonds, Series 2009 (Taxable Build America Bonds) and General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds).

(4) True Interest Cost of 2.81%.

HAWKINS COUNTY, TENNESSEE

LOAN REQUIREMENTS - General Purpose School Fund

F.Y. Ended 6/30	Principal	Interest	QSCB Interest Subsidy	State Admin Fees	Sinking Fund Deposits	Sinking Fund	TOTAL	% All Principal Repaid
	Existing General Obligation Debt - As of June 30, 2019							
2020	$ 115,770	$ 155,586	$ (113,104)	$ 1,866	$ 310,312	$ -	$ 470,430	2%
2021	116,064	155,293	(113,104)	1,866	310,312	-	470,430	
2022	90,775	154,997	(113,104)	1,866	310,312	-	444,846	
2023	39,930	154,698	(113,104)	1,866	310,312	-	393,702	
2024	40,230	154,398	(113,104)	1,866	310,312	-	393,702	
2025	40,533	154,095	(113,104)	1,866	310,312	-	393,702	8%
2026	40,838	153,790	(113,104)	1,866	326,521	-	409,911	
2027	2,681,145	133,485	(113,104)	1,866	175,435	(2,640,000)	238,827	
2028	2,360,580	11,234	(56,552)	467	13,724	(2,333,000)	(3,548)	100%
	$ 5,525,864	**$ 1,227,576**	**$ (961,383)**	**$ 15,397**	**$ 2,377,548**	**$ (4,973,000)**	**$ 3,212,003**	

NOTES:

(1) The above figures may not include all short-term notes or capitalized leases. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. Includes the Communication Equipment leases and the Industrial Development Board Spec Building Note.

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30				
Fund Type	**2014**	**2015**	**2016**	**2017**	**2018**
Governmental Funds:					
General	$ 5,818,756	$ 6,025,499	$ 3,940,603	$ 3,305,439	$ 5,396,932
Highway/Public Works	3,099,522	3,240,836	3,721,390	4,130,944	4,370,953
Education Debt Service	9,861,882	10,115,826	10,410,695	10,236,904	8,775,917
Other Governmental	7,010,759	5,573,745	6,560,796	5,925,276	6,191,806
Total	**$25,790,919**	**$24,955,906**	**$24,633,484**	**$23,598,563**	**$24,735,608**

Source: Comprehensive Annual Financial Report and Auditor's Report, Hawkins County, Tennessee.

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

	2014	2015	2016	2017	2018
Revenues:					
Taxes	$ 8,580,413	$ 8,598,450	$ 8,654,417	$ 9,571,894	$ 11,614,433
Licenses, Permits, Fines	2,803	2,296	3,285	1,995	2,201
Fines and Costs	213,758	200,568	256,365	180,026	158,835
Charges for Services	140,028	130,561	133,100	146,493	167,986
Other Revenues	55,236	85,980	88,399	82,960	86,096
Fees From County Officials	2,143,526	2,346,030	2,326,149	2,362,227	2,392,187
State of Tennessee	2,822,429	2,710,799	2,558,540	2,282,628	2,343,377
Federal Government	204,356	780,934	300,706	1,709,140	722,197
Other Govt.'s & Groups	247,761	275,766	308,117	347,376	436,510
Total Revenues	$ 14,410,310	$ 15,131,384	$ 14,629,078	$ 16,684,739	$ 17,923,822
Expenditures:					
General government	$ 2,455,629	$ 2,605,705	$ 2,848,569	$ 2,628,067	$ 2,643,869
Finance	1,381,555	1,401,643	1,469,736	1,489,677	1,472,093
Administration of Justice	1,217,330	1,397,961	1,427,644	1,448,002	1,457,402
Public Safety	7,275,550	7,019,283	8,386,453	7,595,546	7,807,169
Public Health & Welfare	758,670	725,045	736,401	727,553	675,373
Social, Cultural, & Recreational Service	443,535	437,817	526,683	477,035	458,615
Agricultural & Natural Resources	129,901	150,215	173,129	184,156	193,195
Other Operations	1,018,655	888,952	868,820	2,563,476	944,145
Highways	54,980	58,061	59,475	61,908	40,095
Debt Service	63,080	63,079	63,079	63,079	52,566
Capital Projects	-	-	68,757	-	-
Total Expenditures	$ 14,798,885	$ 14,747,761	$ 16,628,746	$ 17,238,499	$ 15,744,522
Excess of Revenues Over (Under) Expenditures	$ (388,575)	$ 383,623	$ (1,999,668)	$ (553,760)	$ 2,179,300
Other Financing Sources (Uses):					
Premiums on Debt Issued	$ -	$ -	$ -	$ -	$ -
Other Loans or Leases Issued	-	-	-	-	-
Insurance Recovery	47,181	61,191	26,110	23,952	17,662
Transfers In	-	-	-	-	-
Transfers Out	(113,064)	(238,071)	(111,338)	(105,356)	(105,469)
Bond & Note Proceeds	-	-	-	-	-
Payments to Refunded Debt Escrow	-	-	-	-	-
Total	$ (65,883)	$ (176,880)	$ (85,228)	$ (81,404)	$ (87,807)
Net Change in Fund Balances	$ (454,458)	$ 206,743	$ (2,084,896)	$ (635,164)	$ 2,091,493
Fund Balance July 1	6,273,214	5,818,756	6,025,499	3,940,603	3,305,439
Fund Balance June 30	**$ 5,818,756**	**$ 6,025,499**	**$ 3,940,603**	**$ 3,305,439**	**$ 5,396,932**

Source: Comprehensive Annual Financial Report for Hawkins County.

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report for Tennessee, property in the County reflected a ratio of appraised value to true market value of 0.9593. The following table shows pertinent data for tax year 2018[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Actual Value
Public Utilities	$ 109,634,078	55%	$ 250,831,240
Commercial and Industrial	166,227,480	40%	433,199,945
Personal Tangible Property	95,749,760	30%	332,168,992
Residential and Farm	712,266,625	25%	2,969,942,550
TOTAL	**$1,083,877,943**		**$ 3,986,142,727**

Source: 2018 Tax Aggregate Report for Tennessee.

1 The tax year coincides with the calendar year, therefore tax year 2018 is actually fiscal year 2018-19.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2019 (tax year 2018) is $1,083,877,943 compared to $1,061,060,116 for the fiscal year ending June 30, 2018 (tax year 2017). The estimated actual value of all taxable property for tax year 2018 is $3,986,142,727 compared to $3,768,285,869 for tax year 2017.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2014 through 2018 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[2]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**As of June 30, 2018 Amount**	**Pct**
2014	$1,045,488,413	$ 2.465	$25,636,267	$24,608,334	96.0%	$ 77,074	0.3%
2015	1,055,905,782	2.465	25,938,840	24,776,343	95.5%	140,235	0.5%
2016	1,048,203,306	2.5323	26,543,549	25,254,499	95.1%	338,129	1.3%
2017	1,061,060,116	2.5323	26,921,823	26,423,421	98.1%	504,583	1.9%
2018	1,083,877,943	2.5323	27,446,744	**IN PROGRESS**			

2 The tax year coincides with the calendar year, therefore tax year 2018 is actually fiscal year 2018-19.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2018 (Tax Year 2017) taxpayers in the County were as follows:

	Taxpayer	Business Type	Assessed Value	Taxes Paid
1.	Appalachian Power	Utility	$ 31,874,693	$ 807,163
2.	Holston Electric	Utility	23,232,689	588,321
3.	Norfolk Southern	Railroad	22,111,572	559,931
4.	TRW Auto Inc	Manufacturing	55,571,321	449,414
5.	Barrette Outdoor Living	Manufacturing	43,820,248	422,536
6.	AGC Flat Glass NA	Manufacturing	34,567,098	370,391
7.	Baldor Electric Co	Manufacturing	21,390,595	162,502
8.	BAE Systems OSI	Military Services	18,621,155	141,463
9.	Kingsport 925, LLC	Apartments	4,751,960	120,334
10.	Short Mountain Silica	Sand Quarry	15,713,057	119,371
	TOTAL		**$271,654,388**	**$3,595,176**

Source: The County.

PENSION PLANS

Certain employees of the County are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the state.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. The 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 10 years of service or any age with 30 years of service. A reduced retirement benefit is available to vested members at age 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 performance of duty. Members joining the system on or after July 1, 1979, were vested after 10 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established and amended by state statute.

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

APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

HAWKINS COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Hawkins County for the fiscal year ended June 30, 2018 which is available upon request from the County.

ANNUAL FINANCIAL REPORT

HAWKINS COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018

TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

HAWKINS COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

MARK TREECE, CPA, CGFM
Audit Manager

MARIE TIDWELL, CPA
ROBERT ANDERSON, CPA
Senior Auditors

VERNA DAVIS, CPA
PRESTON COBB, CPA
BRANDON HAMMES
KALEE TRENT
GREG BRUSH, CISA
State Auditors

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

HAWKINS COUNTY, TENNESSEE
TABLE OF CONTENTS

Summary of Audit Findings

Annual Financial Report
Hawkins County, Tennessee
For the Year Ended June 30, 2018

Scope

We have audited the basic financial statements of Hawkins County as of and for the year ended June 30, 2018.

Results

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

Our audit resulted in two findings and recommendations, which we have reviewed with Hawkins County management. Detailed 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 DIRECTOR OF SCHOOLS

- A cash shortage of $64,800 existed in the School Department at June 30, 2018.

OFFICE OF SHERIFF

- The office had accounting deficiencies.

Introductory Section

Hawkins County Officials
June 30, 2018

Officials

Melville Bailey, County Mayor
Lowell Bean, Road Superintendent
Reba Bailey, Director of Schools
Jim Shanks, Trustee
Jeff Thacker, Assessor of Property
Nancy Davis, County Clerk
Randall Collier, Circuit and General Sessions Courts Clerk
Holly Jaynes, Clerk and Master
Judy Kirkpatrick, Register of Deeds
Ronnie Lawson, Sheriff

Board of County Commissioners

Melville Bailey, County Mayor, Chairman
Danny Alvis
Nancy Barker
Jeff Barrett
Rick Brewer
Dwight Carter
Fred Castle
Eugene Christian
B.D. Cradic
Glenda Davis
Dawson Fields
Greg Fletcher
Darrell Gilliam
Michael Herrell
Linda Kimbro
Mark Linkous
Joe McLain
John Metz
Robert Palmer
Syble Vaughan Trent
Stacy Vaughan

Board of Education

Bob Larkins, Chairman
Jackie Charles
Chris Christian
Kathy Cradic
Holly Helton
Tecky Hicks
Debbie Shedden

Audit Committee

Syble Vaughan Trent, Chair
Danny Alvis
Nancy Barker
Jeff Barrett
Dawson Fields
John Metz

FINANCIAL SECTION

TENNESSEE COMPTROLLER OF THE TREASURY

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hawkins County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

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entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hawkins County, Tennessee, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Hawkins County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.9. to the financial statements, which describes restatements reducing the beginning net position of the Governmental Activities of the primary government and the discretely presented Hawkins County School Department totaling $224,743 and $1,091,137, respectively, on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's and school's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of county and school changes in the total other postemployment benefits liability and related ratios on pages 109-121 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 Hawkins County's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, combining and individual fund financial statements of the Hawkins County School Department (a discretely presented component unit), miscellaneous schedules and the other information such as the introductory section and management's corrective action plans 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 also 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 not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, combining and individual fund financial statements of the Hawkins County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, combining and individual fund financial statements of the Hawkins County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and management's corrective action plans 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 February 14, 2019, on our consideration of Hawkins 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 Hawkins 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 Hawkins County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 14, 2019

JPW/tg

Basic Financial Statements

Exhibit A

Hawkins County, Tennessee
Statement of Net Position
June 30, 2018

	Primary Government	Component Unit
	Governmental Activities	Hawkins County School Department
ASSETS		
Cash	$ 19,203	$ 1,810
Equity in Pooled Cash and Investments	24,207,260	18,679,822
Accounts Receivable	135,310	132,002
Due from Other Governments	1,229,085	2,451,853
Due from Component Units	14,592	0
Property Taxes Receivable	15,768,617	11,080,423
Allowance for Uncollectible Property Taxes	(438,065)	(315,477)
Prepaid Items	40,808	0
Cash Shortage	0	64,800
Net Pension Asset - Hybrid Agent Plan	0	22,873
Net Pension Asset - Teacher Retirement Plans	0	356,221
Unamortized Discount on Debt	5,031	0
Capital Assets:		
Assets Not Depreciated:		
Land	1,406,159	1,570,973
Construction in Progress	0	697,273
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	14,833,131	44,637,846
Other Capital Assets	3,075,729	3,113,255
Infrastructure	35,047,313	0
Total Assets	$ 95,344,173	$ 82,493,674
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	$ 1,982,444	$ 0
Pension Changes in Experience	4,990	152,433
Pension Changes in Assumptions	596,268	2,515,277
Pension Changes in Investment Earnings	1,425	37,089
Pension Contributions after Measurement Date	735,116	3,064,308
Pension Other Deferrals	0	74,542
OPEB Contributions After Measurement Date	0	838,106
Total Deferred Outflows of Resources	$ 3,320,243	$ 6,681,755

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Hawkins County School Department
LIABILITIES		
Accounts Payable	$ 341,372	$ 411,351
Accrued Payroll	0	29,031
Payroll Deductions Payable	104,180	0
Contracts Payable	3,305	0
Accrued Interest Payable	264,894	0
Due to Primary Government	0	14,592
Due to State of Tennessee	2,139	117
Derivative - Interest Rate Swap	1,731,363	0
Other Current Liabilities	89,555	2,733,260
Noncurrent Liabilities:		
Due Within One Year	3,937,671	673,649
Due in More than One Year	73,361,245	16,893,901
Total Liabilities	$ 79,835,724	$ 20,755,901
DEFERRED INFLOWS OF RESOURCES		
Deferred Current Property Taxes	$ 14,846,735	$ 10,406,083
Pension Changes in Experience	397,353	5,228,057
Pension Changes in Investment Earnings	0	8,065
Pension Other Deferrals	0	117,339
OPEB Changes in Experience	510,774	425
OPEB Changes in Assumptions	0	726,841
Total Deferred Inflows of Resources	$ 15,754,862	$ 16,486,810

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Hawkins County School Department
NET POSITION		
Net Investment in Capital Assets	$ 38,025,219	$ 50,019,347
Restricted for:		
General Government	152,527	0
Finance	67,441	0
Administration of Justice	617,513	0
Public Safety	288,551	0
Public Health and Welfare	20,967	0
Highways	4,369,788	0
Debt Service	13,180,977	0
Education	0	4,834,698
Capital Projects	25,530	0
Pensions	0	379,094
Unrestricted	(53,674,683)	(3,300,421)
Total Net Position	$ 3,073,830	$ 51,932,718

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

Exhibit B

Hawkins County, Tennessee
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Hawkins County School Department
Primary Government:						
Governmental Activities:						
General Government	$ 5,573,666	$ 407,606	$ 952,957	$ 98,492	$ (4,114,611)	$ 0
Finance	1,656,342	1,371,199	0	0	(285,143)	0
Administration of Justice	1,450,794	1,017,327	50,000	0	(383,467)	0
Public Safety	8,375,513	2,204,784	212,058	17,820	(5,940,851)	0
Public Health and Welfare	2,311,191	99,441	345,988	32,289	(1,833,473)	0
Social, Cultural, and Recreational Services	482,987	7,157	39,360	0	(436,470)	0
Agriculture and Natural Resources	192,945	0	0	0	(192,945)	0
Highways	5,325,006	32,435	2,630,742	372,599	(2,289,230)	0
Education	26,653	0	0	0	(26,653)	0
Interest on Long-term Debt	3,184,225	0	0	0	(3,184,225)	0
Total Primary Government	$ 28,579,322	$ 5,139,949	$ 4,231,105	$ 521,200	$ (18,687,068)	$ 0
Component Unit:						
Hawkins County School Department	$ 64,253,591	$ 1,003,963	$ 7,812,460	$ 146,544	$ 0	$ (55,290,624)
Total Component Unit	$ 64,253,591	$ 1,003,963	$ 7,812,460	$ 146,544	$ 0	$ (55,290,624)

(Continued)

Exhibit B

Hawkins County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Total Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit Hawkins County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					$ 9,373,577	$ 7,827,915
Property Taxes Levied for Highway/Public Works					1,486,253	0
Property Taxes Levied for Transportation					0	3,247,859
Property Taxes Levied for Debt Service					3,963,167	0
Local Option Sales Taxes					1,026,643	4,375,135
Wheel Tax					2,470,746	319,964
Litigation Tax - General					103,859	0
Litigation Tax - Jail, Workhouse, Courthouse					106,634	0
Litigation Tax - Courthouse Security					104,662	0
Litigation Tax - Special					63,818	0
Business Tax					324,680	0
Mineral Severance Tax					70,264	0
Wholesale Beer Tax					87,128	0
Interstate Telecommunication Tax					0	4,500
Other Local Tax					0	1,937
Grants and Contributions Not Restricted to Specific Programs					1,579,133	39,915,322
Unrestricted Investment Income					318,816	24,285
Miscellaneous					4,610	361,388
Gain on Sale of Assets					0	12,688
Total General Revenues					$ 21,083,990	$ 56,090,993
Change in Fair Value of Derivatives - Interest Rate Swap					$ 527,334	$ 0
Change in Net Position					$ 2,924,256	$ 800,369
Net Position, July 1, 2017					374,317	52,223,486
Restatement - See Notes I.D.9.					(224,743)	(1,091,137)
Net Position, June 30, 2018					$ 3,073,830	$ 51,932,718

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

Exhibit C-1

Hawkins County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 0	$ 0	$ 0	$ 19,203	$ 19,203
Equity in Pooled Cash and Investments	5,175,112	4,225,754	8,717,977	6,088,417	24,207,260
Accounts Receivable	49,919	90	5,452	78,105	133,566
Due from Other Governments	515,118	483,254	0	230,713	1,229,085
Due from Other Funds	60,577	0	0	6,576	67,153
Due from Component Units	14,592	0	0	0	14,592
Property Taxes Receivable	10,114,606	1,541,599	3,223,241	889,171	15,768,617
Allowance for Uncollectible Property Taxes	(279,229)	(43,307)	(90,549)	(24,980)	(438,065)
Prepaid Items	0	0	40,808	0	40,808
Total Assets	$ 15,650,695	$ 6,207,390	$ 11,896,929	$ 7,287,205	$ 41,042,219
LIABILITIES					
Accounts Payable	$ 195,614	$ 84,767	$ 0	$ 60,991	$ 341,372
Payroll Deductions Payable	84,958	14,837	0	4,385	104,180
Contracts Payable	3,305	0	0	0	3,305
Due to Other Funds	6,576	0	0	58,833	65,409
Due to State of Tennessee	1,869	0	0	270	2,139
Other Current Liabilities	74,526	11,119	0	3,910	89,555
Total Liabilities	$ 366,848	$ 110,723	$ 0	$ 128,389	$ 605,960
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 9,529,173	$ 1,449,864	$ 3,031,439	$ 836,259	$ 14,846,735
Deferred Delinquent Property Taxes	270,883	42,842	89,573	24,710	428,008

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES (Cont.)					
Other Deferred/Unavailable Revenue	$ 86,859	$ 233,008	$ 0	$ 106,041	$ 425,908
Total Deferred Inflows of Resources	$ 9,886,915	$ 1,725,714	$ 3,121,012	$ 967,010	$ 15,700,651
FUND BALANCES					
Nonspendable:					
Prepaid Items	$ 0	$ 0	$ 40,808	$ 0	$ 40,808
Restricted:					
Restricted for General Government	87,833	0	0	0	87,833
Restricted for Finance	67,441	0	0	0	67,441
Restricted for Administration of Justice	617,513	0	0	0	617,513
Restricted for Public Safety	35,648	0	0	248,998	284,646
Restricted for Public Health and Welfare	20,967	0	0	131,317	152,284
Restricted for Other Operations	64,694	0	0	0	64,694
Restricted for Highways/Public Works	0	4,154,788	0	0	4,154,788
Restricted for Debt Service	0	0	8,735,109	4,555,671	13,290,780
Restricted for Capital Projects	0	0	0	25,530	25,530
Committed:					
Committed for General Government	6,633	0	0	0	6,633
Committed for Finance	28,248	0	0	0	28,248
Committed for Public Safety	6,500	0	0	0	6,500
Committed for Public Health and Welfare	5,587	0	0	1,097,435	1,103,022
Committed for Highways/Public Works	0	216,165	0	0	216,165
Committed for Debt Service	0	0	0	132,855	132,855
Assigned:					
Assigned for General Government	288,579	0	0	0	288,579

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
FUND BALANCES (Cont.)	General	Highway / Public Works	Education Debt Service	Other Govern- mental Funds	Total Governmental Funds
Assigned (Cont.):					
Assigned for Finance	$ 10,400	$ 0	$ 0	$ 0	$ 10,400
Assigned for Administration of Justice	28,698	0	0	0	28,698
Assigned for Public Safety	36,258	0	0	0	36,258
Assigned for Public Health and Welfare	3,000	0	0	0	3,000
Assigned for Social, Cultural, and Recreational Services	2,698	0	0	0	2,698
Unassigned	4,086,235	0	0	0	4,086,235
Total Fund Balances	$ 5,396,932	$ 4,370,953	$ 8,775,917	$ 6,191,806	$ 24,735,608
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 15,650,695	$ 6,207,390	$ 11,896,929	$ 7,287,205	$ 41,042,219

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

Hawkins County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

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)		$ 24,735,608
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,406,159	
Add: infrastructure net of accumulated depreciation	35,047,313	
Add: buildings and improvements net of accumulated depreciation	14,833,131	
Add: other capital assets net of accumulated depreciation	3,075,729	54,362,332
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	$ (21,347,556)	
Less: bonds payable	(50,290,000)	
Add: deferred amount on refunding	1,982,444	
Add: unamortized discount on debt	5,031	
Less: compensated absences payable	(782,183)	
Less: other deferred revenue - premium on debt	(409,438)	
Less: accrued interest on bonds and other loans payable	(264,894)	
Less: other post employment benefits liability	(4,321,440)	
Less: net pension liability	(148,299)	
Less: negative fair market value of interest rate swap	(1,731,363)	(77,307,698)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.		
Add: deferred outflows of resources related to pensions	$ 1,337,799	
Less: deferred inflows of resources related to pensions	(397,353)	
Less: deferred inflows of resources related to OPEB	(510,774)	429,672
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		853,916
Net position of governmental activities (Exhibit A)		$ 3,073,830

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

Exhibit C-3

Hawkins County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 11,614,433	$ 1,571,942	$ 3,483,411	$ 2,644,372	$ 19,314,158
Licenses and Permits	2,201	0	0	139,781	141,982
Fines, Forfeitures, and Penalties	158,835	0	0	223,864	382,699
Charges for Current Services	167,986	1,687	0	16,615	186,288
Other Local Revenues	86,096	4,439	250,231	881,597	1,222,363
Fees Received From County Officials	2,392,187	0	0	0	2,392,187
State of Tennessee	2,343,377	2,883,911	0	136,115	5,363,403
Federal Government	722,197	0	362,575	60,410	1,145,182
Other Governments and Citizens Groups	436,510	47,500	737,216	0	1,221,226
Total Revenues	$ 17,923,822	$ 4,509,479	$ 4,833,433	$ 4,102,754	$ 31,369,488
Expenditures					
Current:					
General Government	$ 2,643,869	$ 0	$ 0	$ 1,076	$ 2,644,945
Finance	1,472,093	0	0	0	1,472,093
Administration of Justice	1,457,402	0	0	14,995	1,472,397
Public Safety	7,807,169	0	0	264,085	8,071,254
Public Health and Welfare	675,373	0	0	1,932,564	2,607,937
Social, Cultural, and Recreational Services	458,615	0	0	0	458,615
Agriculture and Natural Resources	193,195	0	0	0	193,195
Other Operations	944,145	0	0	0	944,145
Highways	40,095	4,267,103	0	0	4,307,198
Debt Service:					
Principal on Debt	52,206	2,351	3,767,160	1,046,275	4,867,992
Interest on Debt	360	16	2,500,566	552,935	3,053,877
Other Debt Service	0	0	132,163	26,144	158,307

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)					
Capital Projects - Donated	$ 0	$ 0	$ 0	$ 21,546	$ 21,546
Total Expenditures	$ 15,744,522	$ 4,269,470	$ 6,399,889	$ 3,859,620	$ 30,273,501
Excess (Deficiency) of Revenues Over Expenditures	$ 2,179,300	$ 240,009	$ (1,566,456)	$ 243,134	$ 1,095,987
Other Financing Sources (Uses)					
Other Loans Issued	$ 0	$ 0	$ 0	$ 21,546	$ 21,546
Insurance Recovery	17,662	0	0	1,850	19,512
Transfers In	0	0	105,469	0	105,469
Transfers Out	(105,469)	0	0	0	(105,469)
Total Other Financing Sources (Uses)	$ (87,807)	$ 0	$ 105,469	$ 23,396	$ 41,058
Net Change in Fund Balances	$ 2,091,493	$ 240,009	$ (1,460,987)	$ 266,530	$ 1,137,045
Fund Balance, July 1, 2017	3,305,439	4,130,944	10,236,904	5,925,276	23,598,563
Fund Balance, June 30, 2018	$ 5,396,932	$ 4,370,953	$ 8,775,917	$ 6,191,806	$ 24,735,608

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

Exhibit C-4

Hawkins 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, 2018

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)		$ 1,137,045
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 1,371,863	
Less: current-year depreciation expense	(2,754,387)	
Less: expense recognized for change in estimated useful life of runway improvements	(1,947,284)	(3,329,808)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2018	$ 853,916	
Less: deferred delinquent property taxes and other deferred June 30, 2017	(1,247,160)	(393,244)
(3) 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 related items.		
Add: principal payments on bonds	$ 2,410,000	
Add: principal payments on other loans	2,403,435	
Add: principal payments on capital leases	54,557	
Less: other loan proceeds	(21,546)	
Less: change in discount on debt	(5,107)	
Add: change in premium on debt issuances	74,272	
Less: change in deferred amount on refunding debt	(196,854)	
Add: change in fair value of derivatives - interest rate swap	527,334	5,246,091
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ (7,766)	
Change in OPEB liability (net of restatement)	313,700	
Change in compensated absences payable	27,697	
Change in net pension liability	823,777	
Change in deferred outflows related to pensions	(318,324)	
Change in deferred inflows related to pensions	(64,138)	
Change in deferred inflows related to OPEB	(510,774)	264,172
Change in net position of governmental activities (Exhibit B)		$ 2,924,256

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

Exhibit C-5

Hawkins County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 11,614,433	$ 0	$ 0	$ 11,614,433	$ 11,881,336	$ 11,881,336	$ (266,903)
Licenses and Permits	2,201	0	0	2,201	2,100	2,100	101
Fines, Forfeitures, and Penalties	158,835	0	0	158,835	167,185	167,185	(8,350)
Charges for Current Services	167,986	0	0	167,986	123,700	123,700	44,286
Other Local Revenues	86,096	0	0	86,096	55,400	74,425	11,671
Fees Received From County Officials	2,392,187	0	0	2,392,187	2,345,000	2,345,000	47,187
State of Tennessee	2,343,377	0	0	2,343,377	2,354,664	2,477,543	(134,166)
Federal Government	722,197	0	0	722,197	207,100	267,270	454,927
Other Governments and Citizens Groups	436,510	0	0	436,510	363,308	429,659	6,851
Total Revenues	$ 17,923,822	$ 0	$ 0	$ 17,923,822	$ 17,499,793	$ 17,768,218	$ 155,604
Expenditures							
General Government							
County Commission	$ 112,542	$ 0	$ 0	$ 112,542	$ 129,926	$ 129,926	$ 17,384
Board of Equalization	7,174	0	0	7,174	8,912	8,912	1,738
Beer Board	29	0	0	29	3,017	3,017	2,988
Budget and Finance Committee	4,293	0	0	4,293	8,362	8,362	4,069
County Mayor/Executive	466,756	(14,060)	13,140	465,836	471,458	478,569	12,733
County Attorney	39,535	0	0	39,535	41,651	41,651	2,116
Election Commission	286,315	(4,575)	19,825	301,565	342,244	342,244	40,679
Register of Deeds	268,275	0	0	268,275	299,275	299,715	31,440
Planning	16,038	0	0	16,038	18,625	18,625	2,587
County Buildings	706,144	(9,750)	16,800	713,194	777,730	927,368	214,174
Other General Administration	735,156	(2,318)	8,818	741,656	790,700	791,441	49,785
Preservation of Records	1,612	0	0	1,612	1,600	1,675	63
Finance							
Property Assessor's Office	402,978	0	38,750	441,728	443,477	448,277	6,549
Reappraisal Program	140,137	0	0	140,137	147,886	143,086	2,949
County Trustee's Office	252,633	0	0	252,633	275,866	275,866	23,233
County Clerk's Office	676,345	(9,745)	150	666,750	684,023	687,923	21,173

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice							
Circuit Court Clerk	$ 565,570	$ (3,642)	$ 9,338	$ 571,266	$ 588,535	$ 593,376	$ 22,110
Criminal Court	11,032	0	0	11,032	12,000	12,000	968
General Sessions Court	303,122	0	0	303,122	309,243	309,243	6,121
Drug Court	56,408	(204)	0	56,204	62,594	62,594	6,390
Chancery Court	276,229	0	0	276,229	284,474	284,474	8,245
Juvenile Court	128,961	0	0	128,961	159,608	135,808	6,847
Courtroom Security	116,080	0	0	116,080	138,386	138,386	22,306
Public Safety							
Sheriff's Department	3,749,300	(2,500)	600	3,747,400	3,989,893	3,989,893	242,493
Drug Enforcement	8,288	0	0	8,288	5,588	9,079	791
Administration of the Sexual Offender Registry	1,500	0	0	1,500	4,500	4,500	3,000
Jail	2,891,723	(59,494)	11,706	2,843,935	3,180,706	3,180,706	336,771
Juvenile Services	264,972	0	0	264,972	239,276	290,276	25,304
Fire Prevention and Control	263,285	0	0	263,285	267,060	267,060	3,775
Rescue Squad	98,000	0	0	98,000	98,000	98,000	0
Disaster Relief	0	0	0	0	5,000	5,000	5,000
Other Emergency Management	373,226	(800)	0	372,426	366,277	393,556	21,130
County Coroner/Medical Examiner	156,875	0	0	156,875	152,635	157,135	260
Public Health and Welfare							
Local Health Center	290,768	0	3,000	293,768	351,212	351,212	57,444
Ambulance/Emergency Medical Services	60,000	0	0	60,000	30,000	60,000	0
Other Local Health Services	312,422	0	0	312,422	472,900	482,900	170,478
Aid to Dependent Children	4,974	0	0	4,974	5,000	5,000	26
Other Public Health and Welfare	7,209	0	0	7,209	35,875	28,176	20,967
Social, Cultural, and Recreational Services							
Adult Activities	9,800	0	0	9,800	9,800	9,800	0
Senior Citizens Assistance	216,645	0	0	216,645	231,724	239,274	22,629
Libraries	106,860	0	0	106,860	106,860	106,860	0
Parks and Fair Boards	125,310	(2,000)	2,698	126,008	230,824	236,374	110,366

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Agriculture and Natural Resources							
Agricultural Extension Service	$ 109,783 $	0 $	0 $	109,783 $	114,657 $	114,657 $	4,874
Forest Service	1,500	0	0	1,500	1,500	1,500	0
Soil Conservation	69,956	0	0	69,956	71,032	71,032	1,076
Flood Control	0	0	0	0	4,000	4,000	4,000
Storm Water Management	11,956	0	0	11,956	16,296	16,296	4,340
Other Operations							
Tourism	1,500	0	0	1,500	1,500	1,500	0
Industrial Development	385,379	0	0	385,379	357,507	420,367	34,988
Airport	162,445	(127,191)	26,998	62,252	80,350	140,350	78,098
Veterans' Services	80,025	0	0	80,025	82,996	82,996	2,971
Contributions to Other Agencies	26,950	0	0	26,950	26,950	26,950	0
Employee Benefits	21,137	0	0	21,137	78,600	74,600	53,463
Miscellaneous	266,709	0	3,900	270,609	261,238	273,738	3,129
Highways							
Litter and Trash Collection	40,095	0	0	40,095	78,767	78,767	38,672
Principal on Debt							
General Government	52,206	0	0	52,206	52,207	52,207	1
Interest on Debt							
General Government	360	0	0	360	4,360	4,360	4,000
Total Expenditures	$ 15,744,522 $	(236,279) $	155,723 $	15,663,966 $	17,014,682 $	17,420,659 $	1,756,693
Excess (Deficiency) of Revenues Over Expenditures	$ 2,179,300 $	236,279 $	(155,723) $	2,259,856 $	485,111 $	347,559 $	1,912,297
Other Financing Sources (Uses)							
Insurance Recovery	$ 17,662 $	0 $	0 $	17,662 $	0 $	6,629 $	11,033
Transfers Out	(105,469)	0	0	(105,469)	(105,300)	(105,470)	1
Total Other Financing Sources	$ (87,807) $	0 $	0 $	(87,807) $	(105,300) $	(98,841) $	11,034

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Net Change in Fund Balance	$ 2,091,493	$ 236,279	$ (155,723)	$ 2,172,049	$ 379,811	$ 248,718	$ 1,923,331
Fund Balance, July 1, 2017	3,305,439	(236,279)	0	3,069,160	2,759,995	2,759,995	309,165
Fund Balance, June 30, 2018	$ 5,396,932	$ 0	$ (155,723)	$ 5,241,209	$ 3,139,806	$ 3,008,713	$ 2,232,496

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

Exhibit C-6

Hawkins 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, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 1,571,942	$ 0	$ 0	$ 1,571,942	$ 1,522,352	$ 1,522,352	$ 49,590
Charges for Current Services	1,687	0	0	1,687	1,000	1,000	687
Other Local Revenues	4,439	0	0	4,439	1,000	1,000	3,439
State of Tennessee	2,883,911	0	0	2,883,911	3,162,007	3,162,007	(278,096)
Other Governments and Citizens Groups	47,500	0	0	47,500	0	0	47,500
Total Revenues	$ 4,509,479	$ 0	$ 0	$ 4,509,479	$ 4,686,359	$ 4,686,359	$ (176,880)
Expenditures							
Highways							
Administration	$ 185,549	$ 0	$ 0	$ 185,549	$ 215,831	$ 215,831	$ 30,282
Highway and Bridge Maintenance	2,302,213	0	0	2,302,213	3,528,500	3,528,500	1,226,287
Operation and Maintenance of Equipment	375,899	0	0	375,899	902,100	902,100	526,201
Other Charges	187,678	0	0	187,678	214,900	214,900	27,222
Employee Benefits	336,074	0	0	336,074	457,100	457,100	121,026
Capital Outlay	879,690	(2,400)	1,121	878,411	1,487,500	1,487,500	609,089
Principal on Debt							
Highways and Streets	2,351	0	0	2,351	2,352	2,352	1
Interest on Debt							
Highways and Streets	16	0	0	16	50	50	34
Total Expenditures	$ 4,269,470	$ (2,400)	$ 1,121	$ 4,268,191	$ 6,808,333	$ 6,808,333	$ 2,540,142
Excess (Deficiency) of Revenues Over Expenditures	$ 240,009	$ 2,400	$ (1,121)	$ 241,288	$ (2,121,974)	$ (2,121,974)	$ 2,363,262
Net Change in Fund Balance	$ 240,009	$ 2,400	$ (1,121)	$ 241,288	$ (2,121,974)	$ (2,121,974)	$ 2,363,262
Fund Balance, July 1, 2017	4,130,944	(2,400)	0	4,128,544	3,090,377	3,090,377	1,038,167
Fund Balance, June 30, 2018	$ 4,370,953	$ 0	$ (1,121)	$ 4,369,832	$ 968,403	$ 968,403	$ 3,401,429

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

Exhibit D

Hawkins County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

	Agency Funds
ASSETS	
Cash	$ 3,227,202
Equity in Pooled Cash and Investments	77,708
Accounts Receivable	576
Due from Other Governments	856,578
Taxes Receivable	1,296,393
Allowance for Uncollectible Taxes	(36,785)
Total Assets	$ 5,421,672
LIABILITIES	
Due to Other Funds	$ 1,744
Due to Other Taxing Units	2,193,894
Due to Litigants, Heirs, and Others	3,226,034
Total Liabilities	$ 5,421,672

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

HAWKINS COUNTY, TENNESSEE
Index of Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hawkins 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 Hawkins County:

A. Reporting Entity

Hawkins County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Hawkins County (the primary government) and its component units. The financial statements of the Hawkins County Emergency Communications District, Hawkins County Industrial Development Board, and the Hawkins County Library System, component units requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of their omission did not affect the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Hawkins County School Department operates the public school system in the county, and the voters of Hawkins County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the county commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

The Hawkins County Industrial Development Board oversees industrial development and related services in the county industrial parks. The Hawkins County Industrial Development Board nominates, and the Hawkins County Commission confirms the board members. In a prior year, the county agreed to assume the liability for a note issued by the Industrial Development Board. Due to this financial burden relationship, the board is reported as a discretely presented component unit. In the current year, the Industrial Development Board did not have an audit performed since the majority of operational expenditures are administered by Hawkins County through the county's General Fund and included in the scope of the county's annual audit. The board maintains a separate checking account that is used for economic development expenses for which it receives reimbursements from the Northeast Tennessee Valley Regional Industrial Development Association and the Workforce Investment Act Youth Program. Total deposits and disbursements of $239,562 and $231,645, respectively, were channeled through this account during the year. In our opinion, these deposits and disbursements are not material to the component units' opinion unit.

The Hawkins County Library System operates public libraries in Hawkins County, and the county commission appoints its governing body. The Library System is funded primarily through contributions from Hawkins County and the various cities within the county. The financial statements of the Hawkins County Library System were not material to the component units' opinion unit and therefore have been omitted from this report.

The Hawkins 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 for the Hawkins County Emergency Communications District, Hawkins County Industrial Development Board, and Hawkins County Library System can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Hawkins County Emergency
Communications District
2291 East Main Street
Rogersville, TN 37857

Hawkins County Industrial
Development Board
107 East Main Street, Suite 221
Rogersville, TN 37857

Hawkins County Library System
407 East Main Street
Rogersville, TN 37857

B. Government-wide and Fund Financial Statements

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

Hawkins County issues all debt for the discretely presented Hawkins County School Department. Net debt issues totaling $21,546 were contributed by the county to the School Department during the year ended June 30, 2018.

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

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

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

Fund financial statements of Hawkins County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Hawkins County does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

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

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.

Hawkins County reports the following major governmental funds:

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

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

Education Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt issued for the Hawkins County School Department.

Additionally, Hawkins County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund is used to account for the acquisition or construction of major capital facilities and other capital assets.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Hawkins County, and the city school systems' shares of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Hawkins County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the debt service funds. Hawkins 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. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections and outstanding loan balances at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.47 percent of total taxes levied.

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

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

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

Most payables are disaggregated on the face of the financial statements. The Other Current Liabilities account reflected in the General Fund mainly represents remaining balances in the payroll tax deposit clearing account. Amounts in the discretely presented School Department's General Purpose School Fund represent remaining balances in the insurance and retirement clearing accounts.

3. Prepaid Items

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

4. **Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.
The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Assets	Years
Buildings	40
Building Improvements	7 - 30
Vehicles and Other Capital Assets	5 - 12
Infrastructure:	
Roads	20 - 50
Bridges	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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. They are pension changes in experience, pension changes in assumptions, pension changes in investment earnings, pension contributions after the measurement date, pension other deferrals, OPEB contributions after the measurement date, and the deferred charge on refunding reported in the government-wide Statement of Net Position. 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: pension changes in experience, pension changes in investment earnings, pension other deferrals, OPEB changes in experience, OPEB changes in assumptions, current and delinquent property taxes, and various receivables for revenues, which do not meet the availability criteria for governmental funds.

6. Compensated Absences

Primary Government

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation leave and an unlimited amount of sick leave benefits. There is no liability for unpaid accumulated sick leave since Hawkins County does not have a policy to pay any amounts when employees separate from service with the government. 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.

Discretely Presented School Department

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The Hawkins County Board of Education has adopted policies allowing all 12-month employees who declare their intention to retire within the calendar year to be paid their unused vacation benefits as they accrue. Other 12-month employees are allowed to accumulate a limited amount (five days) of earned but unused vacation benefits.

All certified employees who are present for all scheduled days on the school calendar except for two days of personal leave and two days of professional leave shall receive a $300 bonus on their June 15 payroll check.

The Hawkins County Board of Education also allows all employees to be paid for any unused sick pay benefits upon retirement at a rate of $25 to $40 per unused day based on total days accumulated. Otherwise the granting of unused sick leave has no guaranteed payment attached.

A liability for these amounts is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

7. **Long-term Obligations**

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, other postemployment benefits, and special termination 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 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, 2018, Hawkins County had $55,307,855 in outstanding debt for capital purposes for the discretely presented Hawkins County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Rogersville School System and the City of Kingsport School System) based on an average daily attendance proration. This debt is a liability of Hawkins County, but the capital assets acquired are reported in the financial statements of the School Department, the City of Rogersville School System, and the City of Kingsport School System. Therefore, Hawkins County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes but are neither restricted nor committed (excluding stabilization arrangements). The county commission makes assignments for the general government and the Board of Education makes assignments for the School Department. Assigned fund balance in the primary government's General Fund includes encumbrances of $119,585, insurance recovery of $23,952, employee vacation pay of $25,000, unclaimed property refunds of $105,806, and fund balance appropriated for use in the 2018-19 budget totaling $95,290. Assigned fund balance in the School Department's General Purpose School Fund includes encumbrances of $172,952, fund balance assigned for textbooks totaling $152,487, and fund balance appropriated for use in the 2018-19 budget totaling $3,148,498.

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.

9. <u>Restatement</u>

In prior years, Hawkins County was required to recognize a liability for its other postemployment benefits plans under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, Hawkins County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements reducing the beginning net position of the Governmental Activities of the primary government and the discretely presented Hawkins County School Department by $224,743 and $1,091,137, respectively, have been recognized to account for the transitional requirements.

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

F. Other Postemployment Benefit (OPEB) Plans

Primary Government

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by Hawkins County. For this purpose, Hawkins County recognizes benefit payments when due and payable in accordance with benefit terms. Hawkins County's OPEB plans are not administered through a trust.

Discretely Presented Hawkins County School Department

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented Hawkins County School Department. For this purpose, the School Department recognizes benefit payments when due and payable in accordance with benefit terms. The School Department's OPEB plans are not administered through a trust.

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 Hawkins County School Department

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

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

Primary Government

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

Discretely Presented Hawkins County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2018, Hawkins County and the discretely presented Hawkins County School Department had encumbrances in the following budgeted funds:

Funds		Amount
Primary Government		
Major Fund:		
General	$	155,723
Highway/Public Works		1,121
Nonmajor Governmental		78,648
Discretely Presented School Department		
Major Fund:		
General Purpose School		172,952
Nonmajor Governmental		196,336

B. Cash Shortage – Current Year

As reported in the Schedule of Findings and Questioned Costs in the Single Audit Section of this report, a cash shortage of $64,800 existed in the General Purpose School Fund of the discretely presented Hawkins County School Department at June 30, 2018. The shortage remains unliquidated as of the date of this report.

An investigative report of the Comptroller's Office dated August 22, 2018, reported that during the period of April 8, 2011, through December 12, 2017, former contracted certified operator Shawn Hatchett fraudulently claimed and received $64,800 in fees from the Hawkins County Board of Education. That report is available at http://www.comptroller.tn.gov/ia. On August 20, 2018, the Hawkins County Grand Jury indicted Shawn Hatchett on one count of

Theft over $60,000, one count of Forgery over $60,000, and fifty-five counts of Violation of the Water Pollution Control Act. Trial for Mr. Hatchett has been set for June 17, 2019.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the 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, 2018, Hawkins County had the following investments carried at amortized cost using a Stable Net Asset Value. All investments are in the county trustee's investment pool. Separate disclosure concerning pooled investments cannot be made for Hawkins County and Hawkins County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturities		Amortized Cost
State Treasurer's Investment Pool	2 to 113	N/A	$	675,000

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. State Statutes limit the maturities of certain investments as previously disclosed. Hawkins County has a formal investment policy with the same requirements as state statutes for limiting 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. Hawkins County has an investment policy that limits its investment choices to those authorized by state statute, with safety, liquidity, and yield being priorities specified by the policy. As of June 30, 2018, Hawkins County's investment in the State Treasurer's Investment Pool was unrated.

B. Derivative Instrument

At June 30, 2018, Hawkins County had the following derivative instrument outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
$16M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 16,000,000	12-1-09	6-1-29	Pay 3.5325% receive 58.75% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2018, classified by type, and the change in fair value using a pay fixed, receive a percentage of LIBOR pricing model (Level 2 inputs of the GAAP fair value hierarchy) of such a derivative instrument for the year then ended as reported in the 2018 financial statements are as follows:

Type	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at June 30, 2018 Classification	Fair Value at June 30, 2018 Amount	6-30-2018 Notional Amount
Governmental Activities					
Investment Derivative:					
Pay fixed interest rate swaps:					
$16M Swap	Interest and Investment Earnings	$ 527,334	Debt	$ (1,731,363)	$ 16,000,000
Total		$ 527,334		$ (1,731,363)	$ 16,000,000

Interest rate swaps are classified as hedging derivative instruments if the instruments meet effectiveness criteria established by Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The swap agreement described above did not meet that criteria and therefore is classified as an investment derivative.

Derivative Swap Agreement Detail

$16M Swap

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series V-B-1.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its $16 million Series V-B-1 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series V-B-1 bonds have since been refunded with a portion of the proceeds of the Series VII-A-1 bonds, and the interest rate swap is now associated with the Series VII-A-1 bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.5325 percent and receives a variable payment computed as 58.75 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of $16 million and the associated variable-rate bond has a $16 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series VII-A-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2018, rates were as follows:

	Terms	Rate
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.5325 %
Variable payment from counterparty	% of LIBOR	-1.6979
Net interest rate swap payments		1.8346 %
Variable-rate bond coupon payments		2.2299
Synthetic interest rate on bonds		4.0645 %

Fair value. As of June 30, 2018, the swap had a negative fair value of $1,731,363. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2018, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Moody's and Standard and Poor's as of June 30, 2018, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A- by Moody's, Standard and Poor's, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should BMA increase to above 58.75 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 58.75 percent of LIBOR, then the synthetic rate on the bonds would decrease.

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

Swap payments and associated debt. As of June 30, 2018, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2019	$ 0	$ 356,785	$ 293,531	$ 650,316
2020	1,275,000	356,785	293,531	1,925,316
2021	1,325,000	328,354	270,140	1,923,494
2022	1,400,000	298,808	245,832	1,944,640
2023	1,475,000	267,589	220,148	1,962,737
2024-2028	8,550,000	810,571	666,865	10,027,436
2029	1,975,000	44,041	36,233	2,055,274
Total	$ 16,000,000	$ 2,462,933	$ 2,026,280	$ 20,489,213

C. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Primary Government

Governmental Activities

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	$ 1,376,159	$ 30,000	$ 0	$ 1,406,159
Construction in Progress	1,986,981	1,708	1,988,689	0
Total Capital Assets Not Depreciated	$ 3,363,140	$ 31,708	$ 1,988,689	$ 1,406,159
Capital Assets Depreciated:				
Buildings and Improvements	$ 21,622,531	$ 121,419	$ 0	$ 21,743,950
Infrastructure	58,751,265	521,411	0	59,272,676
Other Capital Assets	10,392,812	738,730	0	11,131,542
Total Capital Assets Depreciated	$ 90,766,608	$ 1,381,560	$ 0	$ 92,148,168
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 6,359,423	$ 551,396	$ 0	$ 6,910,819
Infrastructure	22,767,269	1,458,094	0	24,225,363
Other Capital Assets	7,310,916	744,897	0	8,055,813
Total Accumulated Depreciation	$ 36,437,608	$ 2,754,387	$ 0	$ 39,191,995
Total Capital Assets Depreciated, Net	$ 54,329,000	$ (1,372,827)	$ 0	$ 52,956,173
Governmental Activities Capital Assets, Net	$ 57,692,140	$ (1,341,119)	$ 1,988,689	$ 54,362,332

Decreases include $1,947,284 of amounts capitalized for airport improvements in the prior year. Management has re-evaluated these improvements, determining that they are more appropriately reported as maintenance because they do not extend the useful lives of the assets improved. Therefore, those costs have been expensed in the current year.

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

Governmental Activities:

General Government	$ 263,793
Finance	3,500
Administration of Justice	9,736
Public Safety	633,199
Public Health and Welfare	188,617
Social, Cultural, and Recreational Services	15,078
Highway/Public Works	1,640,464
Total Depreciation Expense - Governmental Activities	$ 2,754,387

Discretely Presented Hawkins County School Department

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	$ 1,570,973	$ 0	$ 0	$ 1,570,973
Construction in Progress	259,338	790,151	352,216	697,273
Total Capital Assets Not Depreciated	$ 1,830,311	$ 790,151	$ 352,216	$ 2,268,246
Capital Assets Depreciated:				
Buildings and Improvements	$ 97,337,835	$ 352,216	$ 0	$ 97,690,051
Other Capital Assets	9,143,768	549,588	44,277	9,649,079
Total Capital Assets Depreciated	$ 106,481,603	$ 901,804	$ 44,277	$ 107,339,130
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 49,624,639	$ 3,427,566	$ 0	$ 53,052,205
Other Capital Assets	5,994,545	584,228	42,949	6,535,824
Total Accumulated Depreciation	$ 55,619,184	$ 4,011,794	$ 42,949	$ 59,588,029
Total Capital Assets Depreciated, Net	$ 50,862,419	$ (3,109,990)	$ 1,328	$ 47,751,101
Governmental Activities Capital Assets, Net	$ 52,692,730	$ (2,319,839)	$ 353,544	$ 50,019,347

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

Governmental Activities:

Instruction	$ 3,394,711
Support Services	550,886
Operation of Non-instructional Services	66,197
Total Depreciation Expense - Governmental Activities	$ 4,011,794

D. Construction Commitments

At June 30, 2018, the General Fund had uncompleted contracts of approximately $26,998 for renovations and construction projects at the airport. Funding for these future expenditures is expected to be provided from federal grants and available fund balance.

The discretely presented School Department's General Purpose School Fund had uncompleted construction contracts of $32,775 for elevator repairs and $36,346 for roof repairs. Funding for these future expenditures is being provided by available fund balance.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 58,833
"	Agency	1,744
Nonmajor governmental	General	6,576
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	11
Nonmajor governmental	"	60
"	General Purpose School	2,103

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund		Amount
	Component Unit:		
Primary Government:	School Department:		
General	General Purpose School	$	14,592

Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following amounts:

Primary Government

	Transfer In	
Transfer Out	Education Debt Service Fund	
General Fund	$	105,469

Transfers to the General Debt Service Fund are for Qualified School Construction Bond (QSCB) rebates.

Discretely Presented Hawkins County School Department

	Transfers In			
Transfers Out		General Purpose School Fund		Nonmajor Governmental Funds
General Purpose School Fund	$	0	$	2,024
Nonmajor Governmental Funds		48,381		0
Total	$	48,381	$	2,024

Transfers to the Nonmajor Governmental Funds are for expenditure reimbursements and transfers to the General Purpose School Fund are for indirect costs.

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

F. **Long-term Obligations**

Primary Government

General Obligation Bonds, Notes, and Other Loans

Hawkins 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 loans and bonds. Capital outlay notes have been 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 and other loans outstanding were issued for original terms of up to 29 years for bonds and up to 21 years for other loans. The county had no outstanding capital outlay notes at June 30, 2018. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2018, will be retired from the General Debt Service, Special Debt Service, or Education Debt Service funds.

General obligation bonds and other loans outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate		Final Maturity		Original Amount of Issue		Balance 6-30-18
General Obligation Bonds - Refunding	1 to 3.5	%	6-30-36	$	26,111,353	$	19,129,964
General Obligation Bonds	.75 to 6.25		6-1-38		34,323,647		31,160,036
Other Loans - Public Building Authorities	*		6-1-29		43,895,000		17,955,000
Other Loans - Qualified School Construction Bonds	0 to 1.515		9-15-27		4,973,000		2,687,835
Other Loans - Energy Efficient Schools Initiative	0 to 0.75		7-1-28		1,932,965		704,721

(*) Interest rates for the Public Building Authority loans are presented in the next table.

General obligation bonds reflected above include $19,745,000 of outstanding Build America Bonds, a federal program through which the county expects to receive future credits for a portion of the interest charges on the bonds.

The following table presents outstanding loan agreements with public building authorities. In addition to interest, the county pays various other fees (trustee, administrative, etc.) in connection with the variable rate loan.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-18	Interest Type	Interest Rate as of 6-30-18	Other Fees on Variable Rate Debt
Sevier County Public Building Authority					
Series VII-A-1	$ 16,150,000	$ 16,150,000	Variable (1)	2.14 %	0.25 %
Blount County Public Building Authority					
Series B-15-A	27,745,000	1,805,000	Fixed	3 to 5	N/A

(1) An interest rate swap agreement is associated with this loan. See Note IV.B., Derivative Instrument, for details of that swap agreement.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2018, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2019	$ 2,465,000	$ 2,038,302	$ 4,503,302
2020	1,350,000	1,970,110	3,320,110
2021	1,410,000	1,934,571	3,344,571
2022	1,085,000	1,898,464	2,983,464
2023	1,615,000	1,869,724	3,484,724
2024-2028	6,855,000	8,751,528	15,606,528
2029-2033	15,665,000	7,402,388	23,067,388
2034-2038	19,845,000	3,340,473	23,185,473
Total	$ 50,290,000	$ 29,205,560	$ 79,495,560

Year Ending June 30	Other Loans Principal	Interest	Other Fees	Total
2019	$ 886,034	$ 577,828	$ 40,375	$ 1,504,237
2020	2,156,082	532,929	40,375	2,729,386
2021	2,226,372	485,808	37,150	2,749,330
2022	2,296,088	435,096	33,800	2,764,984
2023	1,840,232	381,916	30,263	2,252,411
2024-2028	9,949,344	1,190,183	91,626	11,231,153
2029	1,993,404	12	4,975	1,998,391
Total	$ 21,347,556	$ 3,603,772	$ 278,564	$ 25,229,892

There is $13,464,443 available in the debt service funds to service long-term debt. Bonded debt per capita totaled $885, based on the 2010 federal census. Total debt per capita, including bonds, other loans, and unamortized debt premium totaled $1,268, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Bonds	Other Loans	Capital Leases
Balance, July 1, 2017	$ 52,700,000	$ 23,729,445	$ 54,557
Additions	0	21,546	0
Reductions	(2,410,000)	(2,403,435)	(54,557)
Balance, June 30, 2018	$ 50,290,000	$ 21,347,556	$ 0
Balance Due Within One Year	$ 2,465,000	$ 886,034	$ 0

	Compensated Absences	Net Pension Liability Agent Plan	Other Postemployment Benefits
Balance, July 1, 2017	$ 809,880	$ 972,076	$ 4,635,140 (1)
Additions	336,974	874,629	485,370
Reductions	(364,671)	(1,698,406)	(799,070)
Balance, June 30, 2018	$ 782,183	$ 148,299	$ 4,321,440
Balance Due Within One Year	$ 586,637	$ 0	$ 0

(1) Restated for implementation of GASB Statement No. 75. See Note I.D.9.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	$	76,889,478
Less: Balance Due Within One Year		(3,937,671)
Add: Unamortized Premium on Debt		409,438
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$	73,361,245

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

Discretely Presented Hawkins County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Hawkins County School Department for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Compensated Absences	Termination Benefits	Retirement Honorarium
Balance, July 1, 2017	$ 1,727,265	$ 346,159	$ 558,035
Additions	646,636	97,735	50,855
Reductions	(578,680)	(173,604)	(31,111)
Balance, June 30, 2018	$ 1,795,221	$ 270,290	$ 577,779
Balance Due Within One Year	$ 571,608	$ 97,735	$ 4,306

	Net Pension Liability Teacher Legacy Plan	Net Pension Liability Agent Plan	Other Postemployment Benefits (1)
Balance, July 1, 2017	$ 4,521,070	$ 886,223	$ 15,155,066
Additions	2,563,567	732,258	1,783,633
Reductions	(7,084,637)	(1,494,321)	(2,138,599)
Balance, June 30, 2018	$ 0	$ 124,160	$ 14,800,100
Balance Due Within One Year	$ 0	$ 0	$ 0

(1) Restated for implementation of GASB Statement No. 75. See Note I.D.9.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	$ 17,567,550
Less: Balance Due Within One Year	(673,649)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 16,893,901

Compensated absences, other postemployment benefits, termination benefits, net pension liability, and retirement honorarium will be retired from the employing funds.

During the year, the School Department contributed $737,216 to the Education Debt Service Fund of the primary government to be applied toward certain debt instruments, which had been issued for the benefit of the School Department.

G. On-Behalf Payments

Discretely Presented Hawkins County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hawkins County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both 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, 2018, were $242,617 and $83,119, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Hawkins County provides commercial health insurance coverage for its employees. Settled claims did not exceed commercial insurance coverage during the past three years.

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation. The county participates in the Local Government Property and Casualty Fund and the Local Government Workers' Compensation Fund, which are public entity risk pools established to provide insurance coverage to member counties, instead of purchasing commercial insurance for these risks. The county pays monthly or annual premiums to these pools for its insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums.

<u>**Discretely Presented Hawkins County School Department**</u>

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

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

B. <u>Accounting Changes</u>

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements;* Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

C. Contingent Liabilities

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

D. Change in Administration

On May 31, 2018, Steve Starnes left the Office of Director of Schools and was succeeded by Reba Bailey as interim Director of Schools.

E. Joint Ventures

Primary Government

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District, Greene, Hamblen, Hancock, and Hawkins counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hawkins County made no contributions to the DTF for the year ended June 30, 2018.

The Upper East Tennessee Juvenile Detention Center was formed through a cooperative agreement between Hawkins County and the counties of Carter, Greene, Johnson, Sullivan, Unicoi, and Washington for the operation of a program to divert youth from commitment to the Department of Correction's facilities. The program is governed by a board of directors designated by the counties. The board of directors has contracted with ElyJenn Health Services, Inc., to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population. Hawkins County's participation cost percentage is 11.7 percent. The county also pays a daily fee for each individual from their county using the facility.

Discretely Presented School Department

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

Hawkins County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the DTF, the Upper East Tennessee Juvenile Detention Center, and NETCO can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Office of District Attorney General
Third Judicial District Drug Task Force
124 Austin Street, Suite 3
Greeneville, TN 37745

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

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

F. Jointly Governed Organization

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

Hawkins County is a participant in the joint governance of the Alliance for Business and Training (AB&T), which administers funds received under the Workforce Innovation and Opportunity Act for the Northeast Tennessee Local Workforce Development Area. An interlocal consortium agreement between Carter, Greene, Hancock, Hawkins, Johnson, Sullivan, Unicoi, and Washington counties established the Northeast Tennessee Workforce Development Board and the governing structure of AB&T. The county mayors represent each county in the consortium. The Sullivan County Mayor serves as the chief local elected county official of the consortium by the majority approval of the local elected county officials in the consortium agreement and approves appointments of board members of the workforce development board following a nomination process specified in the agreement. The board has no financial activity but provides oversight for workforce development programs of the Development Area. Those programs are funded by grants passed through the state Department of Labor to AB&T.

Mayors of the participating counties, along with four members jointly appointed by the mayors serve as the governing board of AB&T. The consortium agreement calls for any liability for disallowed costs of the grant programs to be shared by member counties of the consortium based on each county's percent of the population of the local workforce development area. However, that contingent liability is to be mitigated by $3 million of insurance coverage provided by AB&T to indemnify the counties pursuant to the consortium agreement.

Complete financial information for the Alliance for Business and Training can be obtained from the following address.

Alliance for Business and Training
386 Hwy 91
P.O. Box 249
Elizabethton, TN 37643

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

Public Employee Legacy Retirement Plan

General Information About the Pension Plan

Plan Description. Employees of Hawkins County and certain non-certified employees of the discretely presented Hawkins County School Department are provided a defined benefit pension plan (Hawkins County Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 54.43 percent and the non-certified employees of the discretely presented School Department comprised 45.57 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.state.tn.us/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, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	430
Inactive Employees Entitled to But Not Yet Receiving Benefits	582
Active Employees	639
Total	1,651

The discretely presented Hawkins County School Department withdrew from the TCRS Hawkins County Plan effective July 1, 2015. Non-certified school employees hired after the date of withdrawal are not eligible to participate in the Hawkins County Plan. Employees active as of the withdrawal date will continue to accrue salary and services credit in TCRS. The employer remains responsible for the pension liability for employees and retirees that were active as of the withdrawal date.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Hawkins 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, 2018, the employer contribution for Hawkins County was $1,318,158 based on a rate of 8.68 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hawkins 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)

Hawkins County's net pension liability (asset) was measured as of June 30, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4 percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 Hawkins 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 (Asset) (a)-(b)
Balance, July 1, 2016	$ 54,438,371	$ 52,580,072	$ 1,858,299
Changes for the Year:			
Service Cost	$ 1,372,583	$ 0	$ 1,372,583
Interest	4,077,560	0	4,077,560
Differences Between Expected and Actual Experience	(381,698)	0	(381,698)
Changes in Assumptions	1,369,345	0	1,369,345
Contributions-Employer	0	1,342,999	(1,342,999)
Contributions-Employees	0	819,476	(819,476)
Net Investment Income	0	5,914,668	(5,914,668)
Benefit Payments, Including Refunds of Employee Contributions	(2,886,987)	(2,886,987)	0
Administrative Expense	0	(53,513)	53,513
Other Changes	0	0	0
Net Changes	$ 3,550,803	$ 5,136,643	$ (1,585,840)
Balance, June 30, 2017	$ 57,989,174	$ 57,716,715	$ 272,459

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	54.43%	$ 31,563,507	$ 31,415,208	$ 148,299
School Department	45.57%	26,425,667	26,301,507	124,160
Total		$ 57,989,174	$ 57,716,715	$ 272,459

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Hawkins County calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

Hawkins County	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 7,365,339	$ 272,459	$ (5,651,502)

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, 2018, Hawkins County recognized pension expense of $511,411.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, Hawkins 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	$ 9,167	$ 730,026
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,618	0
Changes in Assumptions	1,095,476	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	1,318,158	N/A
Total	$ 2,425,419	$ 730,026

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	$ 1,337,799	$ 397,353
School Department	1,087,620	332,673
Total	$ 2,425,419	$ 730,026

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
2019	$ (258,440)
2020	537,029
2021	301,183
2022	(202,539)
2023	0
Thereafter	0

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

Payable to the Pension Plan

At June 30, 2018, Hawkins County reported a payable of $64,146 for the outstanding amount of contributions due to the pension plan at year end.

Discretely Presented Hawkins County School Department

Non-certified Employees

General Information About the Pension Plans

Plan Description – Hawkins County Plan. As noted above under the primary government, employees of Hawkins County and certain non-certified employees of the discretely presented Hawkins County School Department are provided a defined benefit pension plan (Hawkins County Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 54.43 percent and the non-certified employees of the discretely presented School Department comprised 45.57 percent of the plan based on contribution data.

The discretely presented Hawkins County School Department withdrew from the TCRS Hawkins County Plan effective July 1, 2015. Non-certified school employees hired after the date of withdrawal are not eligible to participate in the Hawkins County Plan. Employees active as of the withdrawal date will continue to accrue salary and services credit in TCRS. The employer remains responsible for the pension liability for employees and retirees that were active as of the withdrawal date.

Plan Description – Hawkins County Schools Hybrid Plan. Non-certified employees of the discretely presented Hawkins County School Department hired after July 1, 2015, are provided a defined benefit pension plan (Hawkins County Schools Hybrid Plan) through the Public Employee Retirement Plan, an agent 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 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.state.tn.us/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 in which the member's age and service credits total 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 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.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	19
Active Employees	94
Total	113

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. Hawkins County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation and statutory provisions. 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 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, 2018, to the Retirement Plan were $58,503, 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 to Pensions

Pension Liabilities (Assets). Hawkins County's net pension liability (asset) was measured at June 30, 2017, and the total pension liability 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4 percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 Hawkins 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 (Asset) (a)-(b)
Balance, July 1, 2016	$ 22,494	$ 23,776	$ (1,282)
Changes for the Year:			
Service Cost	$ 51,610	$ 0	$ 51,610
Interest	5,558	0	5,558
Changes in BenefitTerms	0	0	0
Differences Between Expected and Actual Experience	1,681	0	1,681
Changes in Assumptions	3,074	0	3,074
Contributions-Employer	0	37,107	(37,107)
Contributions-Employees	0	46,384	(46,384)
Net Investment Income	0	7,092	(7,092)
Benefit Payments, Including Refunds of Employee Contributions	0	0	0
Administrative Expense	0	(7,069)	7,069
Other Changes	0	0	0
Net Changes	$ 61,923	$ 83,514	$ (21,591)
Balance, June 30, 2017	$ 84,417	$ 107,290	$ (22,873)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Hawkins County calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

Hawkins County	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ (2,738)	$ (22,873)	$ (38,232)

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, 2018, Hawkins County recognized pension expense of $12,746.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, Hawkins 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	$ 1,494	$ 4,253
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,622
Changes in Assumptions	2,732	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	58,503	N/A
Total	$ 62,729	$ 5,875

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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
2019	$ (458)
2020	(458)
2021	(458)
2022	(568)
2023	(79)
Thereafter	371

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

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Hawkins County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.state.tn.us/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, 2018, to the Teacher Retirement Plan were $162,926, 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, 2018, the School Department reported a liability (asset) of ($119,745) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the 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, 2017, the School Department's proportion was .453865 percent. The proportion as of June 30, 2016, was .415032 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of $53,781.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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	$ 4,197	$ 9,006
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	6,443
Changes in Assumptions	10,520	0
Changes in Proportion of Net Pension Liability (Asset)	0	5,911
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	162,926	N/A
Total	$ 177,643	$ 21,360

The School Department's employer contributions of $162,926, 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, 2019. 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
2019	$ (1,106)
2020	(1,106)
2021	(1,475)
2022	(3,133)
2023	(94)
Thereafter	267

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 23,891	$ (119,745)	$ (225,105)

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 Hawkins County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.state.tn.us/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 Hawkins County School Department for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were $2,259,837, which is 9.08 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, 2018, the School Department reported a liability (asset) of ($236,476) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the 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, 2017, the School Department's proportion was .722764 percent. The proportion measured at June 30, 2016, was .723435 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of $12,767.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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	$ 142,565	$ 4,882,125
Changes in Assumptions	2,002,817	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	35,896	0
Changes in Proportion of Net Pension Liability (Asset)	74,542	111,428
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	2,259,837	N/A
Total	$ 4,515,657	$ 4,993,553

The School Department's employer contributions of $2,259,837 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2019. 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
2019	$ (1,682,076)
2020	737,122
2021	(599,398)
2022	(1,193,381)
2023	0
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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 21,218,669	$ (236,476)	$ (17,970,568)

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

The discretely presented Hawkins County School Department offers its employees an optional deferred compensation plan established pursuant to IRC Section 403(b). All costs of administering and funding these programs are the responsibility of plan participants. The Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 403(b) establishes participation, contribution, and withdrawal provisions for the plan.

Teachers hired after July 1, 2014, by the School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute a minimum of two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year the School Department contributed $196,518 and teachers contributed $151,584 to this deferred compensation pension plan.

Non-certified personnel of the School Department hired after July 1, 2015, are required to participate in a separate hybrid pension plan administered by TCRS. The School Department is also required to contribute five percent of non-certified employees' salaries to this Section 401(k) plan. The Section 401(k) plan assets remain the property of the participating employees 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 School Department contributed $77,914 and employees contributed $28,456 to this deferred compensation pension plan.

H. Other Postemployment Benefits (OPEB)

Hawkins County and the discretely presented Hawkins County School Department provide OPEB benefits to their retirees under various plans, These include OPEB provided through commercial plans for both the primary government and the School Department as well as OPEB provided through state administered public entity risk pools for the School Department. For reporting purposes the plans are all considered single employer defined benefit OPEB plans based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). All of the plans are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

OPEB Provided through Commercial Health Plan (Primary Government)

Plan Description. Hawkins County participates in a commercial postemployment health insurance plan administered by Blue Cross Blue Shield for its pre-65 retirees. Any employee hired before October 31, 2017, is eligible to participate in the Hawkins County postemployment health insurance plan. Enrollment is not available for employees hired on or after November 1, 2017. Benefits are established and may be amended by the county commission.

Benefits Provided. Employees eligible for retirement under the Tennessee Consolidated Retirement System may continue medical coverage under the county health insurance plan upon retirement provided that the retiree is not eligible for coverage under another health insurance plan. The county pays 70 percent of the retiree health insurance premiums. Retirees may stay on the plan until Medicare eligible. The spouse of a retiree may continue coverage under the plan. If the spouse was already in the plan at the time of retirement, the county will continue to pay 70 percent of the spouse's premium. Once the retiree becomes Medicare eligible, the spouse must pay the entire premium.

Employees Covered by Benefit Terms

At the actuarial valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	6
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	184
Total	190

Total OPEB Liability

The plan's total OPEB liability of $4,321,440 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017, which was then rolled forward to the measurement date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Discount Rate	3.87%
Healthcare Cost Trend Rates	6.5% in 2017 decreasing 1% per year to ultimate rate of 4.5% by 2019
Retirees share of Benefit-related Cost	Discussed under Benefits Provided

The discount rate of 3.87 percent is based on the Bond Buyer's 20-Bond GO Index as of June 30, 2018.

Mortality rates were based on the 2017 PPA Mortality Table (Group Annuity 2000 Mortality Table projected using Projection Scale AA).

The actuarial assumptions used in the valuation were based on plan data and costs presented by the county with concurrence by the actuary.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance July 1, 2017	$ 4,635,140
Changes for the Year:	
Service Cost	$ 308,392
Interest	176,978
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	(564,540)
Changes in Assumption and Other Inputs	0
Benefit Payments	(29,211)
Implicit Rate Subsidy	(205,319)
Net Changes	$ (313,700)
Balance June 30, 2018	$ 4,321,440

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the county recognized OPEB expense of $485,370. At June 30, 2018, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 510,774
Changes of Assumptions/Inputs	0	
Net Difference Between Projected and Actual Investments	0	0
Benefit Payment Subsequent to the Measurement Date	0	0
Total	$ 0	$ 510,774

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2019	$ (53,766)
2020	(53,766)
2021	(53,766)
2022	(53,766)
2023	(53,766)
Thereafter	(241,944)

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability calculated using the current discount rate, as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	$ 4,575,568	$ 4,321,440	$ 3,911,272

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability calculated using the current healthcare cost trend rate as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.5% to 3.5%)	Current Trend Rate (6.5% to 4.5%)	1% Increase (7.5% to 5.5%)
Total OPEB Liability	$ 3,827,411	$ 4,321,440	$ 4,682,158

OPEB Provided through Commercial Life Insurance Plan (Discretely Presented School Department)

Plan Description. Hawkins County School Department participates in a commercial postemployment life insurance plan administered by USAble. Benefits are established and may be amended by the board of education.

Benefits Provided. Retirees with 10 or more years of service with Hawkins County are eligible for postemployment life insurance coverage. Premiums for the coverage are paid entirely by the School Department. Retirees under age 65 are provided with $50,000 of life insurance. At age 65, coverage lowers to $33,335. At age 70, coverage terminates. Spouse coverage is not provided.

Employees Covered by Benefit Terms

As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	225
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	1,107
Total	1,332

Total OPEB Liability

The plan's total OPEB liability of $567,925 was measured as of June 30,2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and other inputs. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Salary Increases	3%
Discount Rate	3.05%
Life Insurance Cost Trend Rates	0% for all years
Retirees share of Benefit-related Cost	None

The discount rate was based on market yields for AA rated municipal bonds compiled by fmsbonds, inc. as of June 30, 2018.

The mortality assumption is based on RP-2014 Mortality Fully Generational using Projection Scale MP-2017.

The actuarial assumptions used in the valuation were based on plan data and costs presented by the county with concurrence by the actuary.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance July 1, 2017	$ 544,124
Changes for the Year:	
Service Cost	$ 34,860
Interest	17,234
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	(425)
Changes in Assumption and Other Inputs	0
Benefit Payments	(27,868)
Net Changes	$ 23,801
Balance June 30, 2018	$ 567,925

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of $52,094. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 425
Changes of Assumptions/Inputs	0	
Net Difference Between Projected and Actual Investments	0	0
Benefit Payment Subsequent to the Measurement Date	0	0
Total	$ 0	$ 425

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2019	$ 51
2020	51
2021	51
2022	51
2023	51
Thereafter	170

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability calculated using the current discount rate, as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.05%	Current Discount Rate 3.05%	1% Increase 4.05%
Total OPEB Liability	$ 614,052	$ 567,925	$ 525,761

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability calculated using the current healthcare cost trend rate as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

OPEB Provided through State Administered Public Entity Risk Pools

The School Department provides healthcare benefits to its retirees under the Local Education Plan (LEP) until they reach Medicare eligibility. Employees of the School Department may then join the Tennessee Plan - Medicare (TNM), which provides supplemental medical insurance for retirees with Medicare.

The School Department's total OPEB liability for each plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2107 TCRS actuarial valuation; 3.44% to 8.2%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	LEP - Based on the Getzen Model, with trend starting 7.5% for the 2018 calendar year, and gradually decreasing 33-year period to an ultimate trend of rate of 3.53 % with .18% added to approximate the effect of the excise tax TNMs - None - premium subsidies are assumed to remain unchanged for the entire period.
Retirees Share of Benefit Related Cost	Discussed under each plan

The discount rate was 3.56 percent, based on the daily rate of Fidelity's 20-Year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertake on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Changes in Assumptions. The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

Closed Local Education (LEP) OPEB Plan (Discretely Presented School Department)

Plan Description. Employees of the Hawkins County School Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Education Plan (LEP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired teachers, support staff, and disability participants of local education agencies, who choose coverage, participate in the LEP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The Hawkins County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with *TCA* 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. The School Department provides a direct subsidy ranging from $109 to $811 per month toward the cost of insurance for retired certified employees based on years of service and insurance coverage selected. The School Department provides a direct subsidy ranging from $338 to $1,208 per month toward the cost of insurance for retired non-certified employees based on insurance coverage selected. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees premiums based on years of service. Retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	School Department
Inactive Employees or Beneficiaries Currently Receiving Benefits	87
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	995
Total	1,082

A state insurance committee, created in accordance with *TCA* 8-27-301, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid $748,209 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	Share of Collective Liability		
	Hawkins County School Department 71.2332%	State of TN 28.7668%	Total OPEB Liability
Balance July 1, 2016	$ 10,893,068	$ 4,399,054	$ 15,292,122
Changes for the Year:			
Service Cost	$ 625,197	$ 252,480	$ 877,677
Interest	326,748	131,954	458,702
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(467,231)	(188,686)	(655,917)
Benefit Payments	(656,548)	(265,140)	(921,688)
Net Changes	$ (171,833)	$ (69,393)	$ (241,226)
Balance June 30, 2017	$ 10,721,235	$ 4,329,661	$ 15,050,896

The Hawkins County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Hawkins County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized $365,565 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Hawkins County School Department's proportionate share of the collective OPEB liability was 71.2332% and the State of Tennessee's share was 28.7668%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of $1,270,787, which includes expenses funded by nonemployer contributing entities. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions/Inputs	0	420,507
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	748,209	0
Total	$ 748,209	$ 420,507

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	$ (46,723)
2020	(46,723)
2021	(46,723)
2022	(46,723)
2023	(46,723)
Thereafter	(186,892)

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

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

Discount Rate	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Proportionate Share of the Collective Total OPEB Liability	$ 11,456,537	$ 10,721,235	$ 10,019,127

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

Healthcare Cost Trend Rate	1% Decrease 6.5 to 2.71%	Curent Rate 7.5 to 3.71%	1% Increase 8.5 to 4.71%
Proportionate Share of the Collective Total OPEB Liability	$ 9,584,725	$ 10,721,235	$ 12,061,718

Closed Tennessee Plan – Medicare (Discretely Presented School Department)

Plan Description. Employees of the Hawkins County School Department, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan - Medicare (TNM) administered by the Tennessee Department of Finance and Administration. All eligible post-65 retirees and disability participants of local education agencies, who choose coverage, participate in the TNM. The TNM also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The School Department's total OPEB liability for the TNM Plan was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Benefits Provided. The state offers the TNM to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers, noncertified employees, and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNM does not include pharmacy. In accordance with *TCA* 8-27-209, benefits of the TNM are established and amended by cooperation of insurance committees created by *TCA* Sections 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The Hawkins County School Department provides a direct subsidy to retired certified employees ranging from $25 to $50 per month based on years of service. The School Department provides a direct subsidy to retired non-certified employees ranging from $50 to $100 per month based on years of service. The state, as a governmental nonemployer contributing entity contributes to the premiums of certain eligible retirees (teachers) of local education agencies based on years of service. The State of Tennessee provided a direct subsidy of $50 for eligible retirees (teachers) with 30 or more years of service, $37.50 for eligible retirees with 20-29 years of service, and $20 for eligible retirees with less than 20 years of service.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	School Department
Inactive Employees or Beneficiaries Currently Receiving Benefits	148
Inactive Employees Entitled to But Not Yet Receiving Benefits	80
Active Employees	994
Total	1,222

In accordance with *TCA* 8-27-209, the state insurance committees established by *TCA* Sections 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. For the fiscal year ended June 30, 2018, the School Department paid $89,897 to the TNM for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	Share of Collective Liability		
	Hawkins County School Department 59.1870%	State of TN 40.8130%	Total OPEB Liability
Balance July 1, 2016	$ 3,717,874	$ 2,563,698	$ 6,281,572
Changes for the Year:			
Service Cost	$ 123,144	$ 84,915	$ 208,059
Interest	110,739	76,362	187,101
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(343,692)	(236,996)	(580,688)
Benefit Payments	(97,126)	(66,974)	(164,100)
Net Changes	$ (206,934)	$ (142,694)	$ (349,628)
Balance June 30, 2017	$ 3,510,940	$ 2,421,004	$ 5,931,944

The Hawkins County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired teachers participating in the TNM. The Hawkins County School Department's proportionate share of the collective total OPEB Liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized $135,516 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TMN for School Department retirees.

During the year, the Hawkins County School Department's proportionate share of the collective OPEB liability for the TNM plan was 59.187 percent and the State of Tennessee's Share was 40.813 percent.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of $332,042, which includes expenses funded by nonemployer contributing entities.

At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions/Inputs	0	306,334
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	89,897	0
Total	$ 89,897	$ 306,334

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	$ (37,358)
2020	(37,358)
2021	(37,358)
2022	(37,358)
2023	(37,358)
Thereafter	(119,544)

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

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the TNM, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Proportionate Share of the Collective Total OPEB Liability	$ 4,068,490	$ 3,510,940	$ 3,053,434

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The premium subsidies provided to retirees in the TNM plan are assumed to remain unchanged for the entire projection period, therefore trend rates are not applicable to the plan calculations.

I. Termination Benefits and Retirement Honorarium

The discretely presented School Department offers a voluntary termination benefits plan to its employees. To be eligible, employees must have 30 years of credible service in the Tennessee Consolidated Retirement System and no less than ten years of service with the Hawkins County School System. Under the plan, employees who accept the benefit shall receive an annual amount equal to ten percent of their total compensation based on the highest annual salary of their last three years of employment. Benefits shall begin in July following retirement and continue until they reach the age of 62, or for a maximum of seven years, whichever is less. In the event an employee dies during the term of the agreement, the designated beneficiary shall continue to receive the payments for the remainder of the fiscal year of the employee's death. During the year, 20 retirees participated in the program. The estimated cost of the cash payments reported in the government-wide Statement of Net Position is $270,290. The School Department determined this liability by calculating the total cash payments due over the next six years. Of that amount, $97,735 is due within one year.

In addition to the previously mentioned retirement incentive, the discretely presented School Department offers a retirement honorarium payment. To be eligible, certified employees must retire with at least ten years of service with the Hawkins County School Department. Under the terms of the plan, employees receive $100 for each year of service with Hawkins County up to a maximum of 20 years. As of June 30, 2018, 337 employees met the requirement of this benefit. The estimated cost of these cash payments reported in the government-wide Statement of Net Position is $577,779, of which $4,306 is due within one year. The governmental funds' financial statements reflect retirement honorarium expenditures of $31,111 in the General Purpose School Fund.

J. Purchasing Laws

Purchasing procedures for all departments of Hawkins County, including the discretely presented Hawkins County School Department, are governed by provisions of Chapter 256, Private Acts of 1957, as amended. This act provides for the county mayor to make all purchases and for purchases exceeding $10,000 to be made after public advertisement and solicitation of competitive bids.

K. Subsequent Events

On August 31, 2018, Melville Bailey left the Office of County Mayor and was succeeded by Jim Lee.

On January 30, 2019, Reba Bailey left the Office of Director of Schools and was succeeded by Matt Hixson.

Copies of the complete financial statements of the County for the current Fiscal Year are available at https://www.comptroller.tn.gov/office-functions/la/reports/audit-reports.html.