

OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: "AA-"
(See "MISCELLANEOUS-Rating")

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

\$1,550,000 **TOWN OF DANDRIDGE, TENNESSEE** **General Obligation Bonds, Series 2017**

Dated: May 1, 2017

Due: June 1 (as indicated below)

The \$1,550,000 General Obligation Bonds, Series 2017 (the "Bonds") shall be issued by the Town of Dandridge, Tennessee (the "Town") as book-entry-only Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. 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, 2017 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 corporate limits of the Town. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Bonds maturing June 1, 2024 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022.

<u>Maturity</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPS **</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPS **</u>
2018	\$ 40,000	4.00%	1.05%	236073 AV4	2020	\$ 45,000	4.00%	1.35%	236073 AX0
2019	45,000	4.00	1.20	236073 AW2	2021	50,000	4.00	1.50	236076 AY8
	\$150,000	2.25%		Term Bond Due June 1, 2024	@ 2.00% c	236073 BB7			
	\$165,000	2.50%		Term Bond Due June 1, 2027	@ 2.25% c	236073 BE1			
	\$175,000	3.00%		Term Bond Due June 1, 2030	@ 2.60% c	236073 BH4			
	\$190,000	3.00%		Term Bond Due June 1, 2033	@ 2.90% c	236073 BL5			
	\$210,000	3.00%		Term Bond Due June 1, 2036	@ 3.05%	236073 BP6			
	\$230,000	3.25%		Term Bond Due June 1, 2039	@ 3.25%	236073 BS0			
	\$250,000	3.50%		Term Bond Due June 1, 2042	@ 3.50%	236073 BV3			

c = Yield to call on June 1, 2022.

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 by the Town, 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 from the Town by Ogle, Gass & Richardson PC, Counsel to the Town. It is expected that the Bonds, will be available for delivery through the facilities of DTC, New York, New York, on or about May 1, 2017.

Cumberland Securities Company, Inc.
Financial Advisor

April 12, 2017

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

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

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

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

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer 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 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 Town 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.

TOWN OF DANDRIDGE, TENNESSEE

OFFICIALS

George Gantte
Melissa Peagler
James L. Gass

Mayor
Town Administrator
Town Attorney

COUNCIL MEMBERS

Todd Kesterson, Vice Mayor

Mike Chambers

Jeffrey Depew

Jessica Elder

Mike Nelson

Marianne Reese

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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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*.

Issuer	Town of Dandridge, Tennessee (the “Town”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds.....	\$1,550,000 General Obligation Bonds, Series 2017 (the “Bonds”).
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Town. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged. The Bonds are additionally payable from, but not secured by, the income and revenues to be derived from the operation of the System.
Purpose	The Bonds are being issued for the purposes of financing, in whole or in part, (i) the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for the Town's water treatment and distribution system (the "System"); (ii) the acquisition of all property, real and personal, appurtenant to the foregoing (collective, the "Projects"); (iii) reimbursement to the Town for funds previously expended for any of the foregoing; and (iv) payment of the costs related to the issuance and sale of the bonds referenced herein.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2022, 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 Town, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion) included herein.
Bank Qualification	The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	S&P: “AA-”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the “Registration Agent”).
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parities; Others”, herein.
Underwriter.....	FTN Financial Capital Markets, Memphis, Tennessee.

- Book-Entry-Only.....The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION – Book-Entry-Only System”.
- GeneralThe 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.
- DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the Town 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”) established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, 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 Town, or the OFFICIAL STATEMENT, contact Mr. George Gantte, Mayor, 131 East Main Street, Dandridge, Tennessee 37725, Telephone: 865-397-7420; or the Town's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Beginning Fund Balance	\$1,533,730	\$1,594,031	\$1,391,031	\$2,721,280	\$750,281
Revenues	2,636,589	2,530,053	2,700,581	2,992,098	3,029,607
Expenditures	2,446,622	2,467,646	3,326,851	4,947,113	3,069,499
Other Financing Sources:					
Transfers In	-	-	-	-	-
Transfers Out	(228,695)	(265,407)	(151,995)	(120,984)	(112,524)
Other Sources and Uses	99,029	-	2,040,000	105,000	253,655
Excess of Revenue/Other Sources Over (Under)	60,301	(203,000)	1,335,304	(1,970,999)	101,239
Ending Fund Balance	\$1,594,031	\$1,391,031	\$2,721,280	\$750,281	\$851,520

Source: Comprehensive Annual Financial Reports of the Town of Dandridge, Tennessee.

\$1,550,000
TOWN OF DANDRIDGE, TENNESSEE
General Obligation Bonds, Series 2017

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the Town of Dandridge, Tennessee (the "Town", "Municipality" or "Issuer") of its \$1,550,000 General Obligation Bonds, Series 2017 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to resolutions (the "Resolution") adopted by the Board of Mayor and Aldermen of the Town on March 14, 2017.

The Bonds are being issued for the purposes of financing, in whole or in part, (i) the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for the Town's water treatment and distribution system (the "System"); (ii) the acquisition of all property, real and personal, appurtenant to the foregoing (collective, the "Projects"); (iii) reimbursement to the Town for funds previously expended for any of the foregoing; and (iv) payment of the costs related to the issuance and sale of the bonds referenced herein.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance May 1, 2017. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2017. The Bonds are issuable in registered book-entry form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the Town Recorder. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

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

The Bonds are additionally payable from, but not secured by, the income and revenues to be derived from the operation of the System.

The Town through its governing body, shall annually levy and collect a tax on all taxable property within the Town, 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 Town and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The Tax described herein may be reduced to the extent of any direct appropriations from the funds, tax and revenue of the Town to the amount of debt service on The Bonds including revenue of the System.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION

Bonds maturing June 1, 2024, and thereafter, shall be subject to redemption prior to maturity at the option of the Town on June 1, 2022 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

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

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

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

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the Town shall redeem Bonds maturing June 1, 2024, June 1, 2027, June 1, 2030, June 1, 2033, June 1, 2036, June 1, 2039 and June 1, 2042 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
June 1, 2024	June 1, 2022	\$50,000
	June 1, 2023	\$50,000
	June 1, 2024*	\$50,000
June 1, 2027	June 1, 2025	\$55,000
	June 1, 2026	\$55,000
	June 1, 2027*	\$55,000
June 1, 2030	June 1, 2028	\$55,000
	June 1, 2029	\$60,000
	June 1, 2030*	\$60,000
June 1, 2033	June 1, 2031	\$60,000
	June 1, 2032	\$65,000
	June 1, 2033*	\$65,000
June 1, 2036	June 1, 2034	\$70,000
	June 1, 2035	\$70,000
	June 1, 2036*	\$70,000
June 1, 2039	June 1, 2037	\$75,000
	June 1, 2038	\$75,000
	June 1, 2039*	\$80,000
June 1, 2042	June 1, 2040	\$80,000
	June 1, 2041	\$85,000
	June 1, 2042*	\$85,000

*Final Maturity

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

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Town 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 Town 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 Town pursuant to written instructions from an authorized representative of the Town (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 Town 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.

BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the Town 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 below.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

transactions in deposited securities, through electronic computerized book-entry 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may

wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Town 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 Town 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 Town believes to be reliable, but the Town, the Bond Counsel, the Registration Agent, the Financial 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 Town, the Bond Counsel, the Registration Agent, the Financial 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 Town as follows:

- (a) Any accrued interest shall be deposited to the appropriate fund of the Town to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund to be known as the 2017 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the Town. The Town shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Project. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be paid to the Town Recorder and shall be used to pay principal of and interest on the Bonds. Moneys in the Construction Fund shall be invested at the direction of the Town Recorder in such investments as shall be permitted by applicable law. Earnings from such investments in the Construction Fund shall be deposited in the Town's debt service fund.

DISCHARGE AND SATISFACTION OF BONDS

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

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

and if the Town shall also pay or cause to be paid all other sums payable hereunder by the Town 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 Town to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void; and if the Town 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 Town 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 Town, 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, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

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

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the Town, including, but not limited to, the right to require the Town 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 Town 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 Town, including claims in litigation, which, in the opinion of the Town, would have a material adverse effect on the Town's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the Town to sell or issue the Bonds.

TAX MATTERS

Federal

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

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

The Code imposes requirements on the Bonds that the Town 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 Town 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 Town has covenanted to do everything necessary to meet these requirements of the Code.

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

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

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

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

Bonds or affect the market price of the Bonds. See also section "CHANGE IN FEDERAL AND STATE TAX LAW".

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

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the Town 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 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 Town 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 Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and Town Recorder 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 Town 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

S&P Global Ratings (“S&P”) has given the Bonds the rating of “AA-”.

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

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on April 12, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 7, 2017.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (the “Underwriters”) who contracted with the Town, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$1,537,901.80 (consisting of the par amount of the Bonds, plus a reoffering premium of \$18,825.20 and less an underwriter’s discount of \$30,923.40) or 99.219471% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the “Financial Advisor”) to the Town for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the Town to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the Town, including without limitation any of the Town’s financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the Town, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the Town 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 Town 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 Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the Town and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. Bass, Berry & Sims PLC has not represented the Bank on legal matters unrelated to the Town; however, it may do so 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 Town’s Dissemination Agent. If the Town 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.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

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CONTINUING DISCLOSURE

The Town will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2017 (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 Town. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the Town 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 U.S. Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

Five-Year History of Filing. The Town has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The Town's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the Town for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Town'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.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the Town or related public entities, which have been submitted to each of the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The Town shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The Town 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 Town 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 Town shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:
- a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The Town'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 Town may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Town 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 Town. 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 Town 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 Town 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 Town to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and 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 the PRELIMINARY OFFICIAL STATEMENT and 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 the PRELIMINARY OFFICIAL STATEMENT and 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 Town 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 Town 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 Town, 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/ George Gantte
Mayor

ATTEST:

/s/ Melissa Peagler
Town Recorder

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 the Town of Dandridge, Tennessee (the "Issuer") of the \$1,550,000 General Obligation Bonds, Series 2017 (the "Bonds") dated May 1, 2017. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

2. The resolution of the Board of Mayor and Aldermen 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 corporate limits of the Issuer. The Bonds shall be additionally payable from but not secured by, the income and revenues to be derived from the operation of the Issuer's water treatment and distribution system.

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

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

a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

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

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

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

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

Yours truly,

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The Town of Dandridge (the “Town”) is located in the northeastern part of the State of Tennessee in Jefferson County (the “County”). The Town is the county seat. To the North, the County is bounded by Grainger and Hamblen Counties. Cocke County serves as the County's eastern border while Sevier County provides the County's southern border. To the west, the County is bordered by Knox County. The Town is located 30 miles east of Knoxville. Four other cities lie within the boundaries of the County: Jefferson City, New Market, Baneberry and White Pine.

GENERAL

Dandridge, settled in 1783, became the county seat for Jefferson County nine years later. It was named in honor of first lady Martha Dandridge Washington.

The County has a total land area of approximately 203,520 acres or 318 square miles. Proportion of land devoted to farming stands at 84.6%, with tobacco being the leading money crop. Other crops include corn, hay and sorghum. Natural resources include zinc, yellow pine and oak.

The County is part of the Morristown Metropolitan Statistical Area (the “MSA”) that had a population of 136,137 according to the 2010 US Census. The MSA includes Hamblen, Jefferson and Grainger Counties.

The County is also part of the Knoxville-Sevierville-Harriman-LaFollette Combined Statistical Area (the “CSA”). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. According to the 2010 U.S. Census, Jefferson County had a population of approximately 51,407. The largest city in the County, Jefferson City, has a population of 8,047. The Town of Dandridge had a 2010 US Census population of 2,812.

TRANSPORTATION

Interstates I-40 and I-81 meet in Jefferson County. Interstate 75 is easily accessible 28 miles southwest of Jefferson City, in Knoxville. The County is also served by U.S. Highways 11-E and 25-W. There are five state highways traversing the County as well, 113, 81, 40 and 32.

Four motor freight companies serve the County. Terminal facilities are located in the Dandridge and White Pine areas. Seventy percent of American markets are accessible through second day motor freight service. The County is home to major hubs for Old Dominion and Roadway freight carriers. Rail service is provided by the Norfolk/Southern Railroad.

Non-commercial air service is available at the Moore-Murrell Airport in the City of Morristown in Hamblen County, seven miles north of the County. The airport has a modern, 5,700-foot asphalt runway. Commercial air service is located at the McGhee Tyson Airport in Knoxville, 36 miles southwest of the County.

EDUCATION

The *Jefferson County School System* serves the County with twelve total schools, which include eight elementary schools, two middle schools, and one high school. The fall 2015 enrollment was 7,448 with about 469 teachers.

Source: Tennessee Department of Education.

Carson-Newman College is a private, Christian liberal arts institution that was founded in 1851. Carson-Newman has a 125 acres campus located in Jefferson City, Tennessee. Location within the foothills of the Great Smoky Mountains and in between two lakes, the campus is located 28 miles northeast of Knoxville. Fall 2015 had 2,362 enrollment. There are 53 majors available with four undergraduate degrees and four graduate degrees.

Source: Carson-Newman College.

The Tennessee Technology Center at Morristown. The Tennessee Technology Center at Morristown is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Morristown serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. The Technology Center at Morristown main campus is located in Hamblen County. Fall 2014 enrollment was 950 students. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

Source: Tennessee Technology Center at Morristown and the TN Higher Education Commission.

HEALTHCARE

Jefferson Memorial Hospital was built in 2001 and is located in Jefferson City. It is part of the Tennova Healthcare system. A 58 bed, state-of-the-art medical facility, Jefferson Memorial serves people from Knoxville to Morristown with leading-edge technology. Providing comprehensive medical services, Jefferson Memorial offers equipment and physicians trained in specialty areas like oncology, obstetrics and orthopedics as well as extensive outpatient surgery capabilities and diagnostic testing. It employs over 760 physicians, nurses and associates.

The original hospital was Jefferson Memorial Hospital built in 1960 located next to Carson-Newman College in Jefferson City. In 1997 the city and county-owned hospital joined St. Mary's Health System, based in Knoxville, until 2011. In a few years, St. Mary's purchased 121 acres of farmland along the western edge of Jefferson City and built a state-of-the-art, \$20 million hospital and medical office building that opened in January of 2001. The facility sits on 18 acres, leaving 103 acres for future development.

POWER PRODUCTION

The Tennessee Valley Authority has constructed two of its largest dams in Jefferson County. Cherokee Dam is 4 miles from Jefferson City and Douglas Dam is located 18 miles from the same city. The combined area of the two lakes is approximately 23,500 acres. The nearest port facilities are located on the Tennessee River in Knoxville, 28 miles southwest of the City.

Cherokee Dam. 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. Construction of Cherokee Dam began in August 1, 1940, and was completed on a crash schedule on December 5, 1941. The dam is 175 feet high and stretches over a mile at 6,760 feet. The generating capacity of the four hydroelectric units at Cherokee is 135,200 kilowatts of electricity. Cherokee Reservoir spans Jefferson, Grainger, Hamblen and Hawkins Counties.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

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

Major Employers in Jefferson County

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Old Dominion Freight Co.	Trucking	1,120
Jefferson Memorial Hosp.	Healthcare	764
Jefferson County Schools*	School System	504
Bush Brothers	Canned Foods	500
Carson Newman College	Education	375
American Book Co.	Distribution	310
Nashua / Rittenhouse Paper Co.	Paper Rolls, Labels	302
Jefferson County Government	Government	300
Dillard Smith Construction	Power Line Construction	181
Clayton Homes	Manufactured Mobile Homes	159
Ball Corporation	Metal Food Containers	153
Matsuo Industries	Automotive Parts	148
Algoma Hardwood / Appalachian Door	Door Manufacturing	130
Schrader Trucking	Trucking	105
City of Jefferson City	Government	78
Klote International	Manufacturing	69
Smokey Mtn. Knife Works	Knives	65

* Only includes Teachers and Administrators

Source: Jefferson County Chamber of Commerce, TN Department of Economic and Community Development and the Knoxville News Sentinel - 2017.

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EMPLOYMENT INFORMATION

For the month of January 2017, the unemployment rate for Jefferson County stood at 6.8% with 22,240 persons employed out of a labor force of 23,850.

The Morristown MSA's unemployment for January 2017 was at 6.4% with 47,570 persons employed out of a labor force of 50,790. As of January 2017, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 6.0%, representing 497,220 persons employed out of a workforce of 529,200.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
Jefferson County	11.2%	10.1%	9.8%	7.5%	6.5%
Index vs. National	126	125	132	121	123
Index vs. State	122	126	120	112	112
Morristown MSA	11.0%	9.6%	9.5%	7.4%	6.4%
Index vs. National	124	119	128	119	121
Index vs. State	120	120	116	110	110
Knoxville-Sevierville- Harriman CSA	8.3%	7.5%	7.7%	6.5%	6.5%
Index vs. National	93	93	104	105	123
Index vs. State	90	94	94	97	112

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

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ECONOMIC DATA

	Per Capita Personal Income				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	\$42,453	\$44,267	\$44,462	\$46,414	\$48,112
Tennessee	\$37,452	\$38,771	\$38,806	\$40,233	\$42,094
Jefferson County	\$28,532	\$29,428	\$29,748	\$30,875	\$31,994
Index vs. National	67	66	67	67	66
Index vs. State	76	76	77	77	76
Morristown MSA	\$30,329	\$30,814	\$31,126	\$32,165	\$33,463
Index vs. National	71	70	70	69	70
Index vs. State	81	79	80	80	79
Knoxville-Sevierville-Harriman CSA	\$34,882	\$36,329	\$36,275	\$37,595	\$39,187
Index vs. National	82	82	82	81	81
Index vs. State	93	94	93	93	93

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

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Jefferson County</u>
Median Value Owner Occupied Housing	\$178,600	\$142,100	\$128,800
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	82.4%
% Persons with Income Below Poverty Level	13.50%	16.70%	16.8%
Median Household Income	\$53,889	\$45,219	\$42,417

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

RECREATION

Cherokee 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.

Douglas Reservoir. The Douglas Reservoir extends 43 miles upriver from Douglas Dam (located in nearby Sevier County) through the foothills of the Great Smoky Mountains. It travels through Jefferson, Sevier, Cocke and Hamblen Counties. Douglas and other TVA reservoirs built during World War II made a historic contribution, providing hydropower to drive the war effort. Under normal conditions, Douglas stores spring rainwater for release during the dry summer and fall months to maintain adequate depth for navigation on the Tennessee River and to generate electricity. Set against the backdrop of the lush, green Smoky Mountain foothills, Douglas attracts two million recreation visitors a year. Picnicking, camping, boating, and fishing are all popular activities at the Reservoir.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

Footwear Industries of Tennessee. FIT USA opened a plant in Jefferson City in May of 2014 with 50 employees. Production was moved from China. They plan to hire up to 109 employees. The 40,000-square-foot facility will be expanded with a \$5 million investment with the goal of tripling their current business in the next two years. FIT USA manufactures a line of men's work and hunting boots.

Merchant House International Group. Merchant House purchased a 40,000-square-foot building in Jefferson City Industrial Park in 2013 and began production of a line of footwear in 2014. The operation has been moved from China to Jefferson City, creating 109 jobs. The operation, known as Footwear Industries of Tennessee Inc., represents a \$5.4 million investment.

Source: Jefferson County Chamber of Commerce, the Standard Banner and Knoxville News Sentinel.

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TOWN OF DANDRIDGE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE	DUE DATE	INTEREST RATE(S)	OUTSTANDING As of 6/30/16
\$2,040,000 General Obligation Bonds, Series 2011	Jun 2031	Fixed	\$ 1,720,000
\$15,000 Lease Agreement, Series 2012 (07/06/2012)	May 2017	Fixed	2,696
\$140,000 Loan Agreement, Series 2012	Nov 2017	Fixed	58,000
\$100,000 Loan Agreement, Series 2013	Apr 2018	Fixed	41,000
\$93,202 Lease Agreement, Series 2014 (01/01/2014)	Jan 2019	Fixed	58,207
\$132,865 Lease Agreement, Series 2014 (10/28/2014)	Oct 2017	Fixed	66,355
\$5,298 Lease Agreement, Series 2014 (11/17/2014)	Nov 2017	Fixed	3,323
\$300,000 Loan Agreement, Series 2015	Apr 2020	Fixed	244,000
\$4,680,425 Water and Sewer Revenue and Tax Refunding Bonds, Series 2014	Aug 2039	Variable ^{2,3}	4,546,800
\$200,000 Loan Agreement, Series 2015	Apr 2020	Fixed ²	163,000
TOTAL BONDED DEBT			\$6,903,381
PLUS: General Obligation Bonds, Series 2017			\$1,550,000
LESS: Revenue backed debt			\$ (6,259,800)
NET BONDED DEBT			\$ 2,193,581

NOTES:

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

(2) Debt supported by the revenues of the Water & Sewer System.

(3) Loan has a five (5) year rate lock that will reset on the five (5) year anniversary of the loan.

TOWN OF DANDRIDGE, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The indebtedness information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. Property tax information is derived the Town. The table does not include future funding plans whether disclosed or not in this OFFICIAL STATEMENT

	For the Fiscal Year Ended June 30					After Issuance
	2012	2013	2014	2015	2016	2017
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$3,135,694	\$2,809,694	\$2,288,499	\$2,467,792	\$2,193,581	\$2,193,581
TOTAL TAX SUPPORTED	<u>3,135,694</u>	<u>2,809,694</u>	<u>2,288,499</u>	<u>2,467,792</u>	<u>2,193,581</u>	<u>2,193,581</u>
REVENUE SUPPORTED						
Water & Sewer	4,794,299	4,732,183	4,660,869	4,880,425	4,709,800	6,259,800
TOTAL REVENUE SUPPORTED	<u>4,794,299</u>	<u>4,732,183</u>	<u>4,660,869</u>	<u>4,880,425</u>	<u>4,709,800</u>	<u>6,259,800</u>
TOTAL DEBT	\$7,929,993	\$7,541,877	\$6,949,368	\$7,348,217	\$6,903,381	\$8,453,381
Less: Revenue Supported Debt	<u>(4,794,299)</u>	<u>(4,732,183)</u>	<u>(4,660,869)</u>	<u>(4,880,425)</u>	<u>(4,709,800)</u>	<u>(6,259,800)</u>
NET DIRECT DEBT	\$3,135,694	\$2,809,694	\$2,288,499	\$2,467,792	\$2,193,581	\$2,193,581
OVERLAPPING DEBT (1)	<u>5,836,616</u>	<u>7,300,881</u>	<u>6,905,021</u>	<u>7,419,081</u>	<u>7,171,697</u>	<u>7,171,697</u>
NET DIRECT & OVERLAPPING DEBT	<u>\$8,972,310</u>	<u>\$10,110,575</u>	<u>\$9,193,520</u>	<u>\$9,886,873</u>	<u>\$9,365,278</u>	<u>\$9,365,278</u>

PROPERTY TAX BASE						
Estimated Actual Value	\$ 318,213,171	\$ 324,396,291	\$ 322,569,552	\$ 320,647,687	\$ 328,911,443	\$ 328,911,443
Appraised Value	\$ 318,213,171	\$ 324,396,291	\$ 322,569,552	\$ 320,647,687	\$ 328,911,443	\$ 328,911,443
Assessed Value	\$ 98,241,322	\$ 100,029,003	\$ 99,399,194	\$ 99,975,151	\$ 102,712,844	\$ 102,712,844

(1) OVERLAPPING DEBT includes the Town of Dandridge's portion of Jefferson County debt.

DEBT RATIOS	For the Fiscal Year Ended June 30					After Issuance 2017
	2012	2013	2014	2015	2016	
TOTAL DEBT to Estimated Actual Value	2.49%	2.32%	2.15%	2.29%	2.10%	2.57%
TOTAL DEBT to Appraised Value	2.49%	2.32%	2.15%	2.29%	2.10%	2.57%
TOTAL DEBT to Assessed Value	8.07%	7.54%	6.99%	7.35%	6.72%	8.23%
NET DIRECT DEBT to Estimated Actual Value	0.99%	0.87%	0.71%	0.77%	0.67%	0.67%
NET DIRECT DEBT to Appraised Value	0.99%	0.87%	0.71%	0.77%	0.67%	0.67%
NET DIRECT DEBT to Assessed Value	3.19%	2.81%	2.30%	2.47%	2.14%	2.14%
OVERLAPPING DEBT to Estimated Actual Value	1.83%	2.25%	2.14%	2.31%	2.18%	2.18%
OVERLAPPING DEBT to Appraised value	1.83%	2.25%	2.14%	2.31%	2.18%	2.18%
OVERLAPPING DEBT to Assessed Value	5.94%	7.30%	6.95%	7.42%	6.98%	6.98%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	2.82%	3.12%	2.85%	3.08%	2.85%	2.85%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	2.82%	3.12%	2.85%	3.08%	2.85%	2.85%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	9.13%	10.11%	9.25%	9.89%	9.12%	9.12%
PER CAPITA RATIOS						
POPULATION (1)	2,841	2,849	2,849	2,924	2,924	2,924
PER CAPITA PERSONAL INCOME	\$29,428	\$29,748	\$30,875	\$31,994	\$31,994	\$31,994
Estimated Actual Value to POPULATION	112,007	113,863	113,222	109,661	112,487	112,487
Assessed Value to POPULATION	34,580	35,110	34,889	34,191	35,128	35,128
Total Debt to POPULATION	2,791	2,647	2,439	2,513	2,361	2,891
Net Direct Debt to POPULATION	1,104	986	803	844	750	750
Overlapping Debt to POPULATION	2,054	2,563	2,424	2,537	2,453	2,453
Net Direct & Overlapping Debt to POPULATION	3,158	3,549	3,227	3,381	3,203	3,203
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	9.49%	8.90%	7.90%	7.85%	7.38%	9.04%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.75%	3.32%	2.60%	2.64%	2.34%	2.34%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	6.98%	8.61%	7.85%	7.93%	7.67%	7.67%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	10.73%	11.93%	10.45%	10.57%	10.01%	10.01%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census and the Government of the Town of Dandridge, Tennessee.

TOWN OF DANDRIDGE, TENNESSEE
 Bonded Debt Service Requirements - General Obligation
 As of June 30, 2016

F.Y. Ended 6/30	Existing Debt General Obligation (1)			% Principal Repaid
	Principal	Interest	TOTAL	
2017	\$ 253,006	\$ 72,561	\$ 325,567	26.17%
2018	254,765	65,864	320,629	
2019	177,809	58,933	236,742	
2020	163,000	54,367	217,367	
2021	100,000	50,013	150,013	
2022	105,000	47,013	152,013	41.25%
2023	110,000	43,600	153,600	
2024	115,000	40,025	155,025	
2025	120,000	36,000	156,000	
2026	120,000	31,800	151,800	
2027	125,000	27,000	152,000	71.66%
2028	130,000	22,000	152,000	
2029	135,000	16,800	151,800	
2030	140,000	11,400	151,400	
2031	145,000	5,800	150,800	100.00%
	<u>\$ 2,193,581</u>	<u>\$ 583,174</u>	<u>\$ 2,776,755</u>	

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

TOWN OF DANDRIDGE, TENNESSEE
 Bonded Debt Service Requirements - Revenue and Tax Backed
 Water And Sewer System

F. Y. Ended 6/30	Existing Debt as of 06/30/16 Water And Sewer System ¹		General Obligation Bonds Series 2017 ²			% Principal Repaid		Total Bonded Debt Service Requirements		% Principal Repaid		
	Principal	Interest	Principal	Interest (2)	TOTAL	Principal	Interest	Principal	Interest	TOTAL	Principal	Interest
2017	\$ 184,200	\$ 105,975	\$ -	\$ -	\$ -	\$ 184,200	\$ 105,975	\$ -	\$ -	\$ 290,175	2.94%	
2018	187,600	101,774	40,000	52,190	92,190	227,600	153,964	227,600	153,964	381,564		
2019	191,900	97,496	45,000	46,575	91,575	236,900	144,071	236,900	144,071	380,971		
2020	196,400	93,119	45,000	44,775	89,775	241,400	137,894	241,400	137,894	379,294		
2021	157,900	88,640	50,000	42,975	92,975	207,900	131,615	207,900	131,615	339,515		
2022	161,500	84,983	50,000	40,975	90,975	211,500	125,958	211,500	125,958	337,458		
2023	165,200	81,242	50,000	39,850	89,850	215,200	121,092	215,200	121,092	336,292		
2024	169,000	77,416	50,000	38,725	88,725	219,000	116,141	219,000	116,141	335,141		
2025	172,900	73,501	55,000	37,600	92,600	227,900	111,101	227,900	111,101	339,001		
2026	176,800	69,497	55,000	36,225	91,225	231,800	105,722	231,800	105,722	337,522		
2027	180,900	65,401	55,000	34,850	89,850	235,900	100,251	235,900	100,251	336,151		
2028	185,000	61,212	55,000	33,475	88,475	240,000	94,687	240,000	94,687	334,687		
2029	189,300	56,926	60,000	31,825	91,825	249,300	88,751	249,300	88,751	338,051		
2030	193,600	52,542	60,000	30,025	90,025	253,600	82,567	253,600	82,567	336,167		
2031	198,000	48,058	60,000	28,225	88,225	258,000	76,283	258,000	76,283	334,283		
2032	202,600	43,471	65,000	26,425	91,425	267,600	69,896	267,600	69,896	337,496		
2033	207,200	38,779	65,000	24,475	89,475	272,200	63,254	272,200	63,254	335,454		
2034	212,000	33,979	70,000	22,525	92,525	282,000	56,504	282,000	56,504	338,504		
2035	216,800	29,069	70,000	20,425	90,425	286,800	49,494	286,800	49,494	336,294		
2036	221,800	24,047	70,000	18,325	88,325	291,800	42,372	291,800	42,372	334,172		
2037	226,900	18,910	75,000	16,225	91,225	301,900	35,135	301,900	35,135	337,035		
2038	232,100	13,654	75,000	13,788	88,788	307,100	27,442	307,100	27,442	334,542		
2039	237,400	8,278	80,000	11,350	91,350	317,400	19,628	317,400	19,628	337,028		
2040	242,800	2,780	80,000	8,750	88,750	322,800	11,530	322,800	11,530	334,330		
2041	-	-	85,000	5,950	90,950	85,000	5,950	85,000	5,950	90,950		
2042	-	-	85,000	2,975	87,975	85,000	2,975	85,000	2,975	87,975		
	<u>\$ 4,709,800</u>	<u>\$ 1,370,750</u>	<u>\$ 1,550,000</u>	<u>\$ 709,502</u>	<u>\$ 2,259,502</u>	<u>\$ 6,259,800</u>	<u>\$ 2,080,252</u>	<u>\$ 8,340,052</u>				

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

(2) Average Coupon of 3.145%

FINANCIAL OPERATIONS

INTRODUCTION

As required by generally accepted accounting principles (GAAP), all Town funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The Town's financial reporting system is designed to provide timely, accurate feedback on the Town's overall financial position and includes, at a minimum, quarterly reports to the Town Commission. All Town financial statements are audited annually by independent certified public accountants.

The Town's General Purpose Financial Statements, which is an extract of the Comprehensive Annual Financial Report included herein.

BASIS OF ACCOUNTING AND PRESENTATION

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

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

<u>Fund Type</u>	<u>For the Fiscal Year Ended June 30</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<i>Governmental Funds:</i>					
General	\$750,281	\$872,781	\$1,319,918	\$2,016,970	\$1,752,657
Other Governmental	<u>131,882</u>	<u>162,727</u>	<u>160,759</u>	<u>225,365</u>	<u>306,723</u>
Total	<u>\$882,163</u>	<u>\$1,041,508</u>	<u>\$1,480,677</u>	<u>\$2,242,335</u>	<u>\$2,059,380</u>
<i>Proprietary Net Assets:</i>					
Water & Sewer Fund	\$7,863,917	\$8,054,926	\$8,090,184	\$8,224,016	\$8,630,473

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Taxes	\$ 2,255,017	\$ 2,268,103	\$ 2,390,535	\$ 2,453,519	\$ 2,633,539
Licenses, Permits, Fines	25,584	25,663	42,093	32,202	42,077
Federal / State Grants	196,788	29,252	4,795	34,073	49,098
Intergovernmental Rev.	306,518	312,312	323,143	551,044	520,133
Charges for Services	88,288	201,696	229,232	241,681	275,482
Interest Earnings	8,393	1,658	1,695	2,748	3,281
Fines, Forfeits and Penalties	64,220	41,124	57,302	61,469	58,095
Contributions, Donations	12,694	54,921	104,821	10,135	33,546
Other Revenue	34,596	94,878	83,430	65,936	120,743
Total Revenues	<u>\$ 2,992,098</u>	<u>\$ 3,029,607</u>	<u>\$ 3,237,046</u>	<u>\$ 3,452,807</u>	<u>\$ 3,735,994</u>
Expenditures:					
General Government	\$ 779,249	\$ 725,655	\$ 586,611	\$ 679,839	\$ 770,877
Public Safety	795,500	737,845	737,304	955,789	843,485
Public Service/Works/Highways	1,052,600	803,307	609,370	594,942	1,271,925
Culture & Recreation	2,024,948	484,746	477,013	486,865	512,567
Contingency Reserve	-	-	-	9,506	2,632
Debt Service	294,816	317,946	258,941	285,037	322,854
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>\$ 4,947,113</u>	<u>\$ 3,069,499</u>	<u>\$ 2,669,239</u>	<u>\$ 3,011,978</u>	<u>\$ 3,724,340</u>
Excess of Revenues Over (Under) Expenditures	\$ (1,955,015)	\$ (39,892)	\$ 567,807	\$ 440,829	\$ 11,654
Other Financing Sources (Uses):					
Proceeds from Issuance of Debt	\$ 105,000	\$ 253,655	\$ 93,200	\$ 432,865	\$ -
Other Financing Sources	-	-	-	-	5,298
Transfers In	-	-	-	-	-
Transfers Out	(120,984)	(112,524)	(213,870)	(176,642)	(281,265)
Total	<u>\$ (15,984)</u>	<u>\$ 141,131</u>	<u>\$ (120,670)</u>	<u>\$ 256,223</u>	<u>\$ (275,967)</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ (1,970,999)	\$ 101,239	\$ 447,137	\$ 697,052	\$ (264,313)
Fund Balance July 1	2,721,280	750,281	851,520	1,319,918	2,016,970
Adjustments	-	-	21,261	-	-
Fund Balance June 30	<u><u>\$ 750,281</u></u>	<u><u>\$ 851,520</u></u>	<u><u>\$ 1,319,918</u></u>	<u><u>\$ 2,016,970</u></u>	<u><u>\$ 1,752,657</u></u>

Source: Comprehensive Annual Financial Report for Town of Dandridge, Tennessee.

BUDGETARY PROCESS

The Town Administrator in a timely manner is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year which begins on the following July 1. A public hearing is conducted by the Board of Mayor and Alderman to obtain citizen comment on the proposed budget. Prior to June 30th, the budget must be adopted. All annual appropriations lapse at the end of the fiscal year.

Amendments which revise the total expenditures of any fund may occur at any time during the fiscal year. The Town Manager may, on his own authority, transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Board of Commissioners.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle Town operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The Town is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater than two years without written permission of the State Director of Local Finance.

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 Town. For reporting purposes, all investments are stated at cost, which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable

property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

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

Assessment of Property

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

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

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

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

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

State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

Assessed Valuations. According to the Tax Aggregate Report of Tennessee, property in the City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2015¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities *	\$ 6,185,519	55%	\$ 14,170,719
Commercial and Industrial	44,721,520	40%	111,803,800
Personal Tangible Property	6,429,405	30%	21,431,324
Residential and Farm	<u>45,376,400</u>	25%	<u>181,505,600</u>
Total	<u>\$102,712,844</u>		<u>\$328,911,443</u>

¹ The tax year coincides with the calendar year, therefore tax year 2015 is actually fiscal year 2015-2016.
Source: 2015 Tax Aggregate Report of Tennessee and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2016 (tax year 2015) is \$102,712,844 compared to \$99,975,151 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is \$328,911,443 compared to \$320,647,687 for tax year 2014.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2012 through 2016² as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Year Collections		Aggregate Uncollected Balance	
Tax Year²	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2016	
						Amount	Pct
2012	\$100,029,003	\$0.94	\$ 940,316	\$849,275	90.3%	\$ 8,069	0.9%
2013	99,399,194	0.94	940,996	827,436	87.9%	10,307	1.1%
2014	99,975,151	0.989	999,584	884,561	88.5%	10,580	1.1%
2015	102,712,844	0.999	1,025,973	948,416	92.4%	74,589	7.3%
2016	103,303,303*	0.999	1,032,000	IN PROCESS			

* Estimated

² The tax year coincides with the calendar year, therefore tax year 2016 is actually fiscal year 2016-2017.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the Town are as follows:

	<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>Taxes Paid</u>
1.	Overman International	Manufacturing	\$ 2,572,047	\$ 25,695
2.	Squire Station LLC	Shopping Center	2,182,442	21,803
3.	Lemm Enterprises LLC	Boat Manufacturing	1,598,036	15,964
4.	United Hospitality (Hampton Inn)	Motel	1,498,420	14,969
5.	Richard Talley, Et All	Marina/Restaurant	1,375,176	13,737
8.	Jefferson Host LLC (Holiday Inn)	Motel	1,219,675	12,184
7.	Klote International	Manufacturing	1,161,840	11,607
6.	Green Valley LLC (Quality Inn)	Motel	1,145,293	11,441
9.	Pilot Travel Centers LLC	Travel Center	1,027,619	10,266
10.	First Tennessee Bank	Banking	<u>838,681</u>	<u>8,378</u>
	TOTAL		<u>\$14,619,229</u>	<u>\$146,044</u>

Source: The Town.

PENSION PLANS

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

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

GENERAL PURPOSE FINANCIAL STATEMENTS

**TOWN OF DANDRIDGE,
TENNESSEE**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

and

INDEPENDENT AUDITOR'S REPORT

TOWN OF DANDRIDGE, TENNESSEE
Annual Financial Report
For the Fiscal Year Ended June 30, 2016

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TOWN OF DANDRIDGE, TENNESSEE
 Annual Financial Report
 For the Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION



TownofDandridge.com

Board of Mayor and Aldermen
Town of Dandridge, Tennessee

Dear Honorable Mayor and Board of Aldermen:

We are submitting the annual financial report for the fiscal year ended June 30, 2016. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. We believe the data, as presented, is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operation of the Town as measured by the financial activity of its various funds, and includes all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial activities.

Brown Jake & McDaniel, PC, a firm of licensed certified public accountants, have audited the Town's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Town for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's basic financial statements for the year ended June 30, 2016, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found as the second component of the financial section of this report.

The annual financial report is presented in three sections: 1) the introductory section, which contains the transmittal letter and a listing of principal officials; 2) the financial section, which consists of the independent auditor's report, management's discussion and analysis, the government-wide financial statements, the fund financial statements, required supplementary information, and other supplementary information; 3) other statistical schedules section, which contains unaudited statistical information; and 4) the internal control and compliance section, which contains reporting issued by the auditor.

This report includes all funds required of the Town. The Town provides a full range of services including Police and Fire Protection, Highways and Streets, Sanitation and Solid Waste, Recreational Activities, Schools, Water and Sewer, and General Administrative Services.

Management of the Town is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the government are protected from loss, theft, or misuse and to insure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with

Town of Dandridge • P. O. Box 249 • Dandridge, TN 37725
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accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) The cost of the control should not exceed the benefits likely to be derived; and 2) The valuation of costs and benefits requires estimates and judgments by management.

The Town is responsible for insuring that an adequate internal control structure is in place to insure compliance with applicable laws and regulations related to the operations of the Town. This internal control structure is subject to periodic evaluation by management.

In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Mayor and Aldermen. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

The State requires an annual audit of our basic financial statements by an independent certified public accountant. Accordingly, this year's audit was completed by Brown Jake & McDaniel, PC. In addition to meeting the State requirements, the audit was also designed to meet Federal audit requirements.

Respectfully submitted,

TOWN OF DANDRIDGE



Melissa Peagler
Town Administrator

TOWN OF DANDRIDGE, TENNESSEE

List of Principal Officials

For the Fiscal Year Ended June 30, 2016

<u>Name</u>	<u>Office</u>
George Gantte	Mayor
Mike Nelson	Vice-Mayor
Mike Chambers	Alderman
Pam Farrar	Alderman
David Jones	Alderman (Through April 2016)
Jeff Depew	Alderman (After April 2016)
Todd Kesterson	Alderman
Ken Thornhill	Alderman
Melissa Peagler	Administrator
Matt Rudder	Assistant Administrator/Finance Director*
Cathy Dixon	Town Recorder/CMFO
Gary Satterfield	Building Inspector/Codes Enforcement
Gregg Gann	Public Works Superintendent
Mike Norton	Water/Wastewater Superintendent
Carson Williams	Chief of Police
Andy Riley	Fire Chief
Cathy Carter	Human Resources Clerk
Christopher Shockley	Recreation Director

*Certified Municipal Finance Officer

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
 2607 KINGSTON PIKE, SUITE 110
 KNOXVILLE, TENNESSEE 37919-3336
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JOE L. BROWN, CPA, CGFM, CGMA
 FRANK D. McDANIEL, CPA, CGFM, CGMA
 TERRY L. MOATS, CPA, CGFM, CGMA
 JAMES E. BOOHER, CPA, CGMA

MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Mayor and Board of Aldermen
 Town of Dandridge, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dandridge, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

□ □ □

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund of the Town of Dandridge, Tennessee as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 and the required supplementary information on pages 59 through 62 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.

Other Information

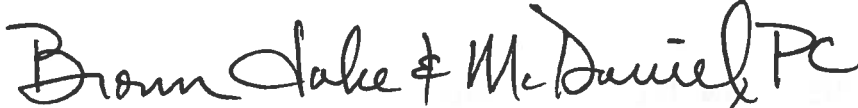
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dandridge, Tennessee's basic financial statements. The introductory section, other supplementary information in the financial section, and other statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information in the financial section is the responsibility of management and was derived from and relates 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 other supplementary information in the financial section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other statistical schedules 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 24, 2017 on our consideration of the Town of Dandridge, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dandridge, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brown Lake & McDaniel PC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee
February 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

As management of the Town of Dandridge, we offer readers of the Town of Dandridge's financial statements this narrative overview and analysis of the financial activities of the Town of Dandridge for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 2 of this report.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Dandridge, Tennessee (the Town) using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements are designed to provide the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The Fund Financial Statements include statements for governmental and business-type activities. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

REPORTING THE TOWN AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities. These statements include *all* assets and liabilities of the Town using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Town's *net position* and changes in it. Net position is the difference between assets and liabilities, which is one way to measure the Town's financial health or *financial position*. Over time, increases and decreases in the net position of the Town is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the property tax base of the Town and the condition of the infrastructure of the Town.

In the Statement of Net Position and the Statement of Activities, we separate the Town Activities as follows:

Government Activities - Most of the Town's basic services are reported in this category, including the General Government, Fire, Police, Streets, Sanitation, Parks and Recreation, Library, and Legislative. Property taxes, intergovernmental revenues, user fees, interest income, franchise fees and state and federal grants finance these activities.

Business-Type Activities - The Town charges a fee to customers to cover all or most of the cost of certain services it provides. The Town's water and wastewater service activities are reported in this category.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

Government Funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the general government operations of the Town and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the Governmental Fund financial statements to those in Government-wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary Funds - When the Town charges customers for services it provides - whether to outside customers or to other units of the Town - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town enterprise fund is the same as the business-type activity we report in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS A WHOLE

The Town is providing comparative condensed financial information for fiscal years 2016 and 2015. Our analysis below focuses on the net position of the Town's governmental and business-type activities.

TABLE 1
NET POSITION

	GOVERNMENT-WIDE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2016	2015	2016	2015
Current and other assets	\$ 3,546,870	\$ 3,730,431	\$ 1,403,093	\$ 1,956,954
Capital assets	<u>9,492,524</u>	<u>9,594,891</u>	<u>12,423,600</u>	<u>11,474,058</u>
Total assets	<u>13,039,394</u>	<u>13,325,322</u>	<u>13,826,693</u>	<u>13,431,012</u>
Total deferred outflows of resources	<u>159,329</u>	<u>152,493</u>	<u>61,224</u>	<u>60,284</u>
Long-term liabilities	2,002,615	2,257,436	4,712,023	4,902,557
Other liabilities	<u>407,690</u>	<u>416,320</u>	<u>491,830</u>	<u>259,678</u>
Total liabilities	<u>2,410,305</u>	<u>2,673,756</u>	<u>5,203,853</u>	<u>5,162,235</u>
Total deferred inflows of resources	<u>1,271,094</u>	<u>1,416,274</u>	<u>53,591</u>	<u>105,045</u>
Net investment in capital assets	7,298,939	7,127,099	7,298,914	6,394,542
Restricted	55,221	23,513	-	-
Unrestricted	<u>2,163,164</u>	<u>2,237,173</u>	<u>1,331,559</u>	<u>1,829,474</u>
TOTAL NET POSITION	<u>\$ 9,517,324</u>	<u>\$ 9,387,785</u>	<u>\$ 8,630,473</u>	<u>\$ 8,224,016</u>

Our next analysis focuses on changes in net position of the Town's governmental and business-type activities.

TABLE 2
CHANGES IN NET POSITION

	GOVERNMENT-WIDE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2016	2015	2016	2015
Program Revenue:				
Charges for Services	\$ 446,455	\$ 403,529	\$ 2,221,240	\$ 2,107,935
Operating Grants and Contributions	329,379	268,265	-	-
Capital Grants and Contributions	51,220	201,834	284,878	67,750
General Revenue:				
Taxes:				
Sales Taxes	1,429,552	1,374,750	-	-
Property Taxes	1,082,480	957,247	-	-
In-Lieu of Tax	33,809	33,402	-	-
Wholesale/State Beer Tax	203,103	193,515	-	-
Mixed Drink Tax	15,656	17,714	-	-
Business Taxes	79,431	72,507	-	-
Cable TV Franchise Tax	52,374	52,378	-	-
State Income Tax	158,991	209,594	-	-
Excise Taxes	8,642	5,678	-	-
Licenses and Permits	42,077	32,202	-	-
Interest Earned	3,382	2,848	3,162	5,304
Miscellaneous	9,739	107,735	-	-
Gain (Loss) on Sale of Fixed Assets	143,284	(1,039)	-	-
TOTAL REVENUE	<u>4,089,574</u>	<u>3,932,159</u>	<u>2,509,280</u>	<u>2,180,989</u>
Program Expenses:				
General Government	735,420	658,525	-	-
Public Safety	836,625	836,995	-	-
Public Service	1,246,039	707,267	-	-
Culture and Recreation	588,199	546,763	-	-
Contingency Reserve	2,632	9,506	-	-
Debt Service	42,454	76,838	-	-
Solid Waste	131,545	142,071	-	-
Volunteer Fire Department	377,121	325,755	-	-
Water and Sewer Department	-	-	2,102,823	2,047,157
TOTAL PROGRAM EXPENSES	<u>3,960,035</u>	<u>3,303,720</u>	<u>2,102,823</u>	<u>2,047,157</u>
Change in Net Position	<u>129,539</u>	<u>628,439</u>	<u>406,457</u>	<u>133,832</u>
Net Position, Beginning, as Previously Stated	9,387,785	8,796,713	8,224,016	8,105,277
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>(37,367)</u>	<u>-</u>	<u>(15,093)</u>
Net Position, Beginning, as Restated	<u>9,387,785</u>	<u>8,759,346</u>	<u>8,224,016</u>	<u>8,090,184</u>
Net Position, Ending	<u>\$ 9,517,324</u>	<u>\$ 9,387,785</u>	<u>\$ 8,630,473</u>	<u>\$ 8,224,016</u>

The cost of all Governmental activities this year was \$3,960,035. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$3,132,981 because some of the cost was paid by those who directly benefited from the programs (\$446,455), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$329,379) and other capital grants and contributions (\$51,220). Overall, the Town's governmental program revenues, including intergovernmental aid and fees for services, were \$827,054. The Town paid for the remaining "public benefit" portion of governmental activities with \$3,262,520 in taxes and with other revenues, such as interest, licenses and permits, and other miscellaneous revenues.

The Town's programs include General Government, Public Safety, Public Service, Culture and Recreation, Sanitation, Drug Enforcement and Capital Outlays. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

TABLE 3

	Net (Expense)	
	2016	2015
Governmental Activities:		
General Government	\$ (634,732)	\$ (608,280)
Public Safety	(718,716)	(713,282)
Public Works	(1,111,217)	(495,579)
Culture and Recreation	(410,304)	(406,854)
Contingency Reserve	(2,632)	(9,506)
Debt Service	(42,454)	(76,838)
Solid Waste	(15,756)	(28,153)
Volunteer Fire Department	(197,170)	(91,600)
Total Governmental Activities	<u>\$ (3,132,981)</u>	<u>\$ (2,430,092)</u>

Net position on July 1, 2015 was in the amount of \$9,387,785. The Town's overall net position increased \$129,539 from the prior fiscal year. Program revenue totaled \$827,054 and general revenues totaled \$3,262,520. Total governmental activities expenses during the year were \$3,960,035. Ending net position for 2016 was \$9,517,324.

BUSINESS-TYPE ACTIVITIES

The cost of all Proprietary (Business-Type) activities this year was \$2,102,823. As shown in the Statement of Activities, the amount paid by users of the system was \$2,221,240.

The Proprietary Fund (Business-Type) Activities include only the operation of the Town's Water and Sewer services. The activities net profit (total revenues generated by the activities less total costs) for the water and sewer fund is \$121,579.

Net Position on July 1, 2015 was in the amount of \$8,224,016, and the department had program revenues of \$2,506,118 and general revenues of \$3,162. Total Proprietary Fund (Business-Type) expenses during the year were \$2,102,823. Ending net position for 2016 was \$8,630,473.

TABLE 4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	BUSINESS-TYPE ACTIVITIES	
	2016	2015
Revenues:		
Operating Revenues	\$ 2,221,240	\$ 2,107,935
Capital Grant	284,878	67,750
General Revenues	3,162	5,304
TOTAL REVENUES	<u>2,509,280</u>	<u>2,180,989</u>
Expenses:		
Water Treatment and Distribution	809,526	773,973
Sewer Collection and Disposal	482,844	478,109
Administrative and General	272,190	277,212
Depreciation	428,729	409,537
Non-Operating Expenses	109,534	108,326
TOTAL EXPENSES	<u>2,102,823</u>	<u>2,047,157</u>
Change in Net Position	<u>406,457</u>	<u>133,832</u>
Net Position, Beginning, as Previously Stated	8,224,016	8,105,277
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>(15,093)</u>
Net Position, Beginning, as Restated	<u>8,224,016</u>	<u>8,090,184</u>
Net Position, Ending	<u>\$ 8,630,473</u>	<u>\$ 8,224,016</u>

THE TOWN'S FUNDS

Information about the Town's major fund (general fund) is detailed in the Required Supplementary Information Section of the financial statements. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,103,601 and expenditures of \$4,291,854. The expenditures exceeded the revenues by \$188,253. This was influenced significantly by expenditures in the public works department related to paving projects.

As the Town completed the year, all governmental funds had a fund balance of \$2,059,380 which we consider a substantial financial position. The Town's management believes with potential decreases in sales tax due to unforeseen consequences of the streamline sales tax bill and future capital expenditures the fund balance needs to increase in future years.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's budget is prepared according to Tennessee law and based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budget is the general fund.

The Town amended its budget twice during 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Governmental-Type Activities

At the end of fiscal years 2016 and 2015, the Town had \$13,719,569 and \$13,546,589, respectively, invested in land, buildings and improvements, infrastructures, and machinery and equipment. Table 5 shows fiscal years 2016 and 2015 balances.

TABLE 5
CAPITAL ASSETS (NET OF DEPRECIATION) AT JUNE 30
Governmental-Type Activities

	<u>2016</u>	<u>2015</u>
Land	\$ 626,202	\$ 626,202
Construction in Progress	-	15,059
Buildings and Improvements	4,517,212	4,504,715
Infrastructures	5,384,372	5,349,206
Machinery and Equipment	<u>3,191,783</u>	<u>3,051,407</u>
	13,719,569	13,546,589
Less: Accumulated Depreciation	<u>4,227,045</u>	<u>3,951,698</u>
	<u>\$ 9,492,524</u>	<u>\$ 9,594,891</u>

The Town acquired or constructed capital assets during the fiscal year totaling \$261,404. The Town adopts an annual budget with capital outlays included.

Capital Assets - Business-Type Activities

At the end of the fiscal years 2016 and 2015, the Town had \$17,902,163 and \$16,523,892 respectively, invested in buildings, lines and tanks, equipment, furniture and fixtures, and vehicles. Table 6 shows fiscal years 2016 and 2015 balances.

TABLE 6
CAPITAL ASSETS (NET OF DEPRECIATION) AT JUNE 30
Business-Type Activities

	2016	2015
Construction in Progress	\$ 57,743	\$ 1,256,591
Land Easements	8,900	8,900
Buildings	718,780	718,780
Lines and Tanks	13,931,741	11,447,309
Equipment	2,763,146	2,670,459
Furniture and Fixtures	117,826	117,826
Vehicles	304,027	304,027
	<u>17,902,163</u>	<u>16,523,892</u>
Less: Accumulated Depreciation	<u>5,478,563</u>	<u>5,049,834</u>
	<u>\$12,423,600</u>	<u>\$11,474,058</u>

The Water and Sewer Department plans additional capital outlays during 2017. Not all of these projects will be completed within the 2017 fiscal year. The Department's capital outlay budget will be financed with existing cash, potential new debt issues and federal and state grant awards.

Debt Administration

At the end of the current fiscal year, the Town of Dandridge had a total debt outstanding of \$7,096,142.

TABLE 7
OUTSTANDING DEBT

	GOVERNMENT-WIDE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2016	2015	2016	2015
Bonds and Capital Outlay Notes	\$ 2,063,000	\$ 2,289,000	\$ 4,709,800	\$ 4,880,425
Capital Leases	130,585	178,792	-	-
Loan from Primary Government	-	-	192,757	199,091
Total Long-Term Debt	<u>\$ 2,193,585</u>	<u>\$ 2,467,792</u>	<u>\$ 4,902,557</u>	<u>\$ 5,079,516</u>

The Town's total debt decreased by \$451,166 during the current fiscal year.

NEXT YEAR'S BUDGET

The general fund estimates were projected to rise at a 3% increase for local sales taxes due to new development and current economic trends within the state of Tennessee. The Town Board of Mayor and Alderman approved a budget with no increase to property taxes. However, based on the state's recent approval of an Occupancy Tax for the Town of Dandridge, the Board of Mayor and alderman levied a 2% city tax on hotel/motel occupancy within the Town of Dandridge. The funds collected from the occupancy tax must be dedicated to tourism infrastructure improvements. The Town hopes to use the funds to initiate the waterfront plan specifically a dock. Highlights in this year's budget include a 2.5% raise for employees, a new position of Recreation Program Director within the Field of Dreams Activity Center, new equipment purchases of a fire truck and public works tractor, paving Cline Road and the construction of the dock on the waterfront. During the current fiscal year, the Town increased the general fund balance and maintained cash flow over the minimum of 20% of the total budget.

The water and sewer budgets were also prepared using a conservative approach. Construction of the new service line for water to the Knoxville Utilities Board was completed at the end of fiscal year 2016. Our new connection to KUB is anticipated to lower our costs for water service.

The residential growth in the Town is continuing to slowly rise. Existing subdivisions that were left vacant during the National Economic downturn have started to regain momentum and most building permits have been issued in those areas. Existing Industries such as Overman and Wetekam have been growing steadily. Wetekam intends to have 3 lines fully operation and employee 15 people by the end of this year. Rusty Wallace Ford will open their new facility at Interstate Exit 417 in August creating jobs and an increase in sales tax in our community.

Tourism has continued to be an economic driver for our community. In conjunction with local association and quasi-governmental agencies, we will be hosting over 20 state and National fishing tournaments during this fiscal year again. The Huk Big Bass Tour, the B.A.S.S Northern Open will be hosted on Douglas Lake. The B.A.S.S. is scheduled to be hosted on Cherokee Lake in February. Although this is not on our lake, we are expected to host the anglers at our hotels due to the proximity. The Town has invested in our tourism product by hosting events such as Music on the Town and the Scots Irish Festival. We also continue to maintain the natural and historic beauty of our town which keeps tourists returning to our area.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional finance information should be addressed to the Town of Dandridge, Town Administrator, P.O. Box 249, Dandridge, TN 37725.

TOWN OF DANDRIDGE, TENNESSEE

Statement of Net Position

June 30, 2016

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 1,426,042	\$ 1,000,838	\$ 2,426,880
Receivables:			
Property taxes	1,157,914	-	1,157,914
Interfund note (current portion)	6,334	-	6,334
Other	46,610	3,685	50,295
Customer service accounts, less allowance for doubtful accounts of \$22,000	-	182,936	182,936
Unbilled receivables	-	91,334	91,334
Due from other governments	461,393	57,500	518,893
Internal balances	10,800	(10,800)	-
Prepaid expense	831	-	831
Restricted assets:			
Cash and cash equivalents	53,555	-	53,555
Other receivables	672	-	672
Total current assets	<u>3,164,151</u>	<u>1,325,493</u>	<u>4,489,644</u>
Non-current assets			
Capital assets:			
Land and other asset not being depreciated	626,202	66,643	692,845
Depreciable capital assets	13,093,367	17,835,520	30,928,887
	13,719,569	17,902,163	31,621,732
Less: Accumulated depreciation	<u>(4,227,045)</u>	<u>(5,478,563)</u>	<u>(9,705,608)</u>
Total capital assets	9,492,524	12,423,600	21,916,124
Other non-current assets			
Interfund receivable, less current maturities	186,423	-	186,423
Net pension asset	196,296	77,600	273,896
Total non-current assets	<u>9,875,243</u>	<u>12,501,200</u>	<u>22,376,443</u>
Total assets	<u>13,039,394</u>	<u>13,826,693</u>	<u>26,866,087</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension contributions made after the net pension liability measurement date	158,941	61,224	220,165
Change in proportion and differences between contributions and proportionate share of contribution - pension	<u>388</u>	<u>-</u>	<u>388</u>
Total deferred outflows of resources	<u>159,329</u>	<u>61,224</u>	<u>220,553</u>

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

Statement of Net Position
(Continued)

June 30, 2016

<u>LIABILITIES</u>	Governmental Activities	Business-Type Activities	Total
Current liabilities:			
Payable from current assets:			
Current maturities of long-term debt	\$ 253,007	\$ 190,534	\$ 443,541
Accounts payable	64,360	40,088	104,448
Construction payable	-	222,129	222,129
Accrued expenses	36,074	6,775	42,849
Compensated absences	-	22,863	22,863
Due to other governments	50,517	9,441	59,958
Payable from restricted assets:			
Funds held in trust	3,732	-	3,732
Total current liabilities	<u>407,690</u>	<u>491,830</u>	<u>899,520</u>
Non-current liabilities:			
Due in more than one year	1,940,578	4,525,600	6,466,178
Interfund payable	-	186,423	186,423
Compensated absences	48,768	-	48,768
Unamortized bond premium	13,269	-	13,269
Total non-current liabilities	<u>2,002,615</u>	<u>4,712,023</u>	<u>6,714,638</u>
Total liabilities	<u>2,410,305</u>	<u>5,203,853</u>	<u>7,614,158</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources:			
Property taxes	1,133,511	-	1,133,511
Unavailable grant revenue	3,000	-	3,000
Change in proportion and differences between contributions and proportionate share of contribution - pension	-	388	388
Net differences between projected and actual earnings on pension plan investments	31,657	12,514	44,171
Differences between projected and actual experience - pension	102,926	40,689	143,615
Total deferred inflows of resources	<u>1,271,094</u>	<u>53,591</u>	<u>1,324,685</u>
 <u>NET POSITION</u>			
Net position:			
Net investment in capital assets	7,298,939	7,298,914	14,597,853
Restricted:			
Net Pension Asset	196,296	77,600	273,896
Drug enforcement	55,221	-	55,221
Unrestricted	1,966,868	1,253,959	3,220,827
Total net position	<u>\$ 9,517,324</u>	<u>\$ 8,630,473</u>	<u>\$ 18,147,797</u>

The accompanying notes are an integral
part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE
Statement of Activities

For the Fiscal Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 735,420	\$ 9,672	\$ 81,541	\$ 9,475	\$ (634,732)	\$ -	\$ (634,732)
Public safety	836,625	90,711	6,600	20,598	(718,716)	-	(718,716)
Public works	1,246,039	51,788	83,034	-	(1,111,217)	-	(1,111,217)
Recreation	588,199	177,895	-	-	(410,304)	-	(410,304)
Contingency reserve	2,632	-	-	-	(2,632)	-	(2,632)
Debt service	42,454	-	-	-	(42,454)	-	(42,454)
Solid waste	131,545	115,789	-	-	(15,756)	-	(15,756)
Volunteer fire department	377,121	600	158,204	21,147	(197,170)	-	(197,170)
Total governmental activities	3,960,035	446,455	329,379	51,220	(3,132,981)	-	(3,132,981)
Business-type activities:							
Dandridge Water and Sewer Dept.	2,102,823	2,221,240	-	284,878	-	403,295	403,295
Total business-type activities	2,102,823	2,221,240	-	284,878	-	403,295	403,295
Total primary government	\$ 6,062,858	\$ 2,667,695	\$ 329,379	\$ 336,098	\$ (3,132,981)	\$ 403,295	\$ (2,729,686)
General revenues:							
Taxes:							
Sales taxes					1,429,552		1,429,552
Property taxes					1,082,480		1,082,480
In-lieu of tax					33,809		33,809
Wholesale/state beer taxes					203,103		203,103
Mixed drink tax					15,656		15,656
Business taxes					79,431		79,431
Cable TV franchise tax					52,374		52,374
State income tax					158,991		158,991
Excise taxes					8,642		8,642
Licenses and permits					42,077		42,077
Interest earned					3,382	3,162	6,544
Gain (loss) on disposal of fixed assets					9,739	-	9,739
Miscellaneous					143,284		143,284
Total general revenues					3,262,520	3,162	3,265,682
Change in net position					129,539	406,457	535,996
Net position - beginning					9,387,785	8,224,016	17,611,801
Net position - ending					\$ 9,517,324	\$ 8,630,473	\$ 18,147,797

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,181,195	\$ 244,847	\$ 1,426,042
Receivables:			
Property taxes	1,157,914	-	1,157,914
Interfund note (current portion)	6,334	-	6,334
Other	46,341	269	46,610
Due from other governments	461,393	-	461,393
Due from other governmental funds	274	32,925	33,199
Due from proprietary funds	-	11,130	11,130
Interfund receivable, less current maturities	186,423	-	186,423
Prepaid expenses	831	-	831
Restricted assets:			
Cash and cash equivalents	-	53,555	53,555
Other receivables	-	672	672
Due from governmental funds	-	5,000	5,000
Total assets	\$ 3,040,705	\$ 348,398	\$ 3,389,103
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 28,332	\$ 36,028	\$ 64,360
Accrued expenses	34,433	1,641	36,074
Due to other funds	37,925	-	37,925
Due to proprietary fund	330	-	330
Due to other governments	50,517	-	50,517
Payable from restricted assets:			
Due to other funds	-	274	274
Funds held in trust	-	3,732	3,732
Total liabilities	151,537	41,675	193,212
Deferred inflows of resources:			
Property taxes	1,133,511	-	1,133,511
Unavailable grant revenue	3,000	-	3,000
Total deferred inflows of resources	1,136,511	-	1,136,511
Fund balances:			
Nonspendable	193,588	-	193,588
Restricted	-	55,221	55,221
Assigned	-	251,502	251,502
Unassigned	1,559,069	-	1,559,069
Total fund balances	1,752,657	306,723	2,059,380
Total liabilities, deferred inflows of resources and fund balances	\$ 3,040,705	\$ 348,398	\$ 3,389,103

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

For the Fiscal Year Ended June 30, 2016

Total fund balances--governmental funds		\$ 2,059,380
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	\$ 13,719,569	
Accumulated depreciation	<u>(4,227,045)</u>	9,492,524
The net pension asset is not an available resource and, therefore, is not reported in the funds		
		196,296
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and capital outlay notes payable	(2,063,000)	
Unamortized bond premium	(13,269)	
Compensated absences	(48,768)	
Lease obligations	<u>(130,585)</u>	(2,255,622)
Certain deferred outflows of resources and deferred inflows of resources are not available resources and, therefore, are not reported in the funds:		
Pension contributions made after the net pension liability measurement date	158,941	
Changes in proportion and differences between contributions and proportionate share of contributions - pension	388	
Differences between projected and actual earnings on pension plan investments	(31,657)	
Differences between projected and actual pension plan actuarial experience	<u>(102,926)</u>	<u>24,746</u>
Total net position--governmental activities		<u>\$ 9,517,324</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local taxes	\$ 2,633,539	\$ -	\$ 2,633,539
Licenses and permits	42,077	-	42,077
Federal, state and local grants	49,098	21,990	71,088
Intergovernmental revenues	520,133	55,000	575,133
Charges for services	275,482	116,389	391,871
Interest earnings	3,281	101	3,382
Fines, forfeits and penalties	58,095	25,459	83,554
Contributions and donations	33,546	102,361	135,907
Other revenue	120,743	46,307	167,050
Total revenues	3,735,994	367,607	4,103,601
Expenditures:			
General government	770,877	-	770,877
Public safety	843,485	-	843,485
Public works	1,271,925	-	1,271,925
Culture and recreation	512,567	-	512,567
Contingency reserve	2,632	-	2,632
Debt service	322,854	-	322,854
Sanitation	-	141,060	141,060
Volunteer fire department	-	417,116	417,116
Drug enforcement	-	9,338	9,338
Total expenditures	3,724,340	567,514	4,291,854
Revenues over (under) expenditures	11,654	(199,907)	(188,253)
Other financing sources (uses):			
Other financing sources	5,298	-	5,298
Transfers (to) from other funds	(281,265)	281,265	-
Total other financing sources (uses)	(275,967)	281,265	5,298
Net changes in fund balances	(264,313)	81,358	(182,955)
Fund balance, beginning	2,016,970	225,365	2,242,335
Fund balance, ending	<u>\$ 1,752,657</u>	<u>\$ 306,723</u>	<u>\$ 2,059,380</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2016

Total net change in fund balances--governmental funds	\$ (182,955)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays:

Depreciation expense	\$ (349,744)	
Capital outlays	<u>261,404</u>	(88,340)

Proceeds from the sale of capital assets is revenue in the governmental funds, but the net book value of the asset sold is removed from the capital assets in the statement of net position and offset against the proceeds resulting in a gain (loss) on disposal of capital assets in the statement of activities	(14,027)
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The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal on 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 when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Proceeds from capital lease	(5,298)	
Proceeds from capital outlay notes	-	
Principal paid on long-term debt	279,506	
Premium amortized	<u>895</u>	275,103

Some changes 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:

Compensated absences	(754)	
Change in net pension asset	8,201	
Change in deferred outflows of resources related to pensions - TCRS	114,645	
Change in deferred inflows of resources related to pensions - TCRS	<u>17,666</u>	<u>139,758</u>

Change in net position of governmental activities	<u>\$ 129,539</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE
Statement of Net Position - Proprietary Funds

June 30, 2016

	Enterprise Fund Water and Sewer Department <hr style="border-top: 1px solid black;"/>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,000,838
Receivables -	
Customer service accounts, less allowance for doubtful accounts of \$22,000	182,936
Unbilled receivables	91,334
Other	3,685
Due from governmental funds	330
Due from other governments	57,500
	57,500
Total current assets	1,336,623
Non-current assets:	
Capital assets, not being depreciated -	
Land and land rights	8,900
Construction work in progress	57,743
Capital assets, being depreciated -	
Utility plant	17,835,520
Less: accumulated depreciation	(5,478,563)
	(5,478,563)
Total capital assets	12,423,600
Other non-current assets:	
Net pension asset	77,600
	77,600
Total non-current assets	12,501,200
Total assets	13,837,823
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension contributions made after the net pension liability measurement date	61,224
	61,224
Total deferred outflows of resources	61,224

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

Statement of Net Position - Proprietary Funds
(Continued)

June 30, 2016

	Enterprise Fund <u>Water and Sewer Department</u>
<u>LIABILITIES</u>	
Current liabilities:	
Current maturities of long-term debt	\$ 190,534
Accounts payable	40,088
Construction payable	222,129
Accrued wages payable	5,123
Compensated absences payable	22,863
Due to governmental funds	11,130
Due to other governments	9,441
Other accrued expenses	1,652
Total current liabilities	<u>502,960</u>
Non-current liabilities:	
Interfund payable, less current maturities	186,423
Long-term debt, less current maturities	4,525,600
Total non-current liabilities	<u>4,712,023</u>
Total liabilities	<u>5,214,983</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Change in proportion and differences between contributions and proportionate share of contributions - pension	388
Net difference between projected and actual earnings on pension plan investments	12,514
Differences between projected and actual experience - pension	40,689
Total deferred inflows of resources	<u>53,591</u>
<u>NET POSITION</u>	
Net position:	
Net investment in capital assets	7,298,914
Restricted for net pension asset	77,600
Unrestricted	1,253,959
Total net position	<u>\$ 8,630,473</u>

The accompanying notes are an integral
part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Statement of Revenues, Expenses and Change
in Net Position - Proprietary Funds

For the Fiscal Year Ended June 30, 2016

	Enterprise Fund Water and Sewer Department
Operating revenues:	
Water sales	\$ 1,314,590
Sewer service charges	675,321
Forfeited discounts and penalties	28,251
Tap fees	123,600
Fire service and hydrant rental	13,000
Miscellaneous	28,428
Installation charges	38,050
Total operating revenues	<u>2,221,240</u>
Operating expenses:	
Water treatment and distribution	809,526
Sewer collection and disposal	482,844
Administrative and general	272,190
Provision for depreciation	428,729
Total operating expenses	<u>1,993,289</u>
Operating income	<u>227,951</u>
Non-operating revenues (expense):	
Interest income	3,162
Interest expense	(109,534)
	<u>(106,372)</u>
Income before capital contributions	121,579
Capital contributions	<u>284,878</u>
Change in net position	406,457
Net position, beginning	<u>8,224,016</u>
Net position, ending	<u><u>\$ 8,630,473</u></u>

The accompanying notes are an integral
part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Statement of Cash Flows - Proprietary Funds
Water and Sewer Department

For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from customers	\$ 2,139,848
Cash payments to suppliers for goods and services	(1,217,491)
Cash payments to employees for services	(432,710)
	<u>489,647</u>
Net cash provided by operating activities	
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,156,142)
Principal payments on long-term debt	(176,959)
Interest paid on long-term debt	(109,533)
Capital contributions	284,878
	<u>284,878</u>
Net cash used by capital and related financing activities	
	<u>(1,157,756)</u>
Cash flows from investing activities:	
Interest received on investments	3,162
	<u>3,162</u>
Net cash provided by investing activities	
	<u>3,162</u>
Net decrease in cash and cash equivalents	
	(664,947)
Cash and cash equivalents, beginning	
	<u>1,665,785</u>
Cash and cash equivalents, ending	
	<u>\$ 1,000,838</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 227,951
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	428,729
(Increase) decrease in assets and deferred outflows:	
Accounts receivable	(9,487)
Unbilled revenue	(11,980)
Other receivables	(1,597)
Due from other governments	(57,500)
Net pension asset	(1,623)
Deferred outflow related to pension	(940)
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	(2,360)
Accrued wages and benefits payable	(365)
Due to other governments	(828)
Due to governmental funds	(28,899)
Deferred inflow related to pension	(51,454)
	<u>(51,454)</u>
Net cash provided by operating activities	
	<u>\$ 489,647</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE
 General Fund
 Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Revenues:			
Local taxes:			
Local sales tax	\$ 1,200,000	\$ 1,200,000	\$ 1,201,868
Property taxes	974,078	996,484	1,082,480
Wholesale beer tax	185,500	185,500	201,730
Mixed drink taxes	30,000	30,000	15,656
Business tax	80,000	80,000	79,431
Cable TV franchise tax	49,000	49,000	52,374
Total local taxes	2,518,578	2,540,984	2,633,539
Licenses and permits:			
Building permits	28,735	28,735	39,819
Beer permits	2,700	2,700	2,258
Total licenses and permits	31,435	31,435	42,077
Intergovernmental revenues:			
Federal grants	-	20,809	31,104
State grants	-	16,694	17,994
State law enforcement education	6,000	6,000	6,600
State sales tax	211,178	211,178	227,684
State income tax	-	-	158,991
State beer tax	1,500	1,500	1,373
State gasoline and motor fuel tax	75,000	75,000	77,313
State street and transportation	5,757	5,757	5,721
Gross receipts tax - TVA	32,000	32,000	33,809
Corporate excise tax	5,700	5,700	8,642
Total intergovernmental revenues	337,135	374,638	569,231
Charges for services:			
Street maintenance contract	35,000	35,000	49,520
Park and recreation charges	146,000	185,000	177,895
Other	48,901	48,901	48,067
Total charges for services	229,901	268,901	275,482
Fines, forfeits and penalties:			
Court fines and costs	43,200	43,200	58,095
Total fines, forfeits and penalties	43,200	43,200	58,095

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Revenues (continued):			
Other revenue:			
Other revenue	\$ 15,500	\$ 15,500	\$ 20,976
Interest earnings	1,600	1,600	3,281
Rent	25,000	25,000	46,226
Sale of equipment	5,000	5,000	25,537
Insurance recoveries	3,000	24,742	28,004
Contributions	25,000	25,000	33,546
Total other revenue	<u>75,100</u>	<u>96,842</u>	<u>157,570</u>
Total revenues	<u>3,235,349</u>	<u>3,356,000</u>	<u>3,735,994</u>
Expenditures:			
General government:			
Legislative:			
Personal services	60,406	60,406	59,929
Contractual services	9,500	9,500	5,480
Total legislative	<u>69,906</u>	<u>69,906</u>	<u>65,409</u>
Judicial:			
Contractual services	4,200	4,200	4,200
Total judicial	<u>4,200</u>	<u>4,200</u>	<u>4,200</u>
Central staff agencies:			
Personal services	272,551	275,032	265,903
Contractual services	62,740	67,445	67,236
Supplies	9,000	9,000	10,265
Total central staff agencies	<u>344,291</u>	<u>351,477</u>	<u>343,404</u>
Building inspector/codes enforcement:			
Personal services	58,744	59,286	58,161
Contractual services	4,405	4,405	2,388
Supplies	1,450	1,450	737
Total building inspector/codes enforcement	<u>64,599</u>	<u>65,141</u>	<u>61,286</u>
General government buildings:			
Personal services	76,287	76,863	69,043
Contractual services	39,900	57,334	53,556
Supplies	20,400	25,539	25,510
Fixed charges	500	500	687
Total general government buildings	<u>137,087</u>	<u>160,236</u>	<u>148,796</u>

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Expenditures (continued):			
General government (continued):			
Other general government:			
Personal services	\$ 250	\$ 250	\$ -
Contractual services	42,955	42,955	34,668
Supplies	1,000	1,000	2,051
Fixed charges	37,401	37,401	45,560
Grants, contributions and donations	79,904	79,904	61,354
Capital outlay	20,000	20,000	4,149
Total other general government	<u>181,510</u>	<u>181,510</u>	<u>147,782</u>
Total general government	<u>801,593</u>	<u>832,470</u>	<u>770,877</u>
Public safety:			
Police:			
Personal services	723,299	738,100	744,090
Contractual services	32,296	39,796	31,527
Supplies	67,800	67,800	47,404
Capital outlay	-	14,868	14,130
Total police	<u>823,395</u>	<u>860,564</u>	<u>837,151</u>
Support services:			
Contractual services	6,334	6,334	6,334
Total support services	<u>6,334</u>	<u>6,334</u>	<u>6,334</u>
Total public safety	<u>829,729</u>	<u>866,898</u>	<u>843,485</u>
Public works:			
Highways and streets:			
Personal services	204,235	205,898	179,419
Contractual services	62,160	519,503	520,755
Supplies	49,300	53,800	56,879
Building materials	12,000	12,000	12,045
Fixed charges	3,000	3,000	750
Capital outlay	-	244,124	243,898
Total highways and streets	<u>330,695</u>	<u>1,038,325</u>	<u>1,013,746</u>
City garage:			
Personal services	54,064	57,815	55,837
Contractual services	750	750	580
Supplies	3,600	3,600	2,873
Total city garage	<u>58,414</u>	<u>62,165</u>	<u>59,290</u>

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Expenditures (continued):			
Public works (continued):			
State street aid:			
Contractual services	\$ 200,000	\$ 200,000	\$ 198,889
Total state street aid	200,000	200,000	198,889
Total public works	589,109	1,300,490	1,271,925
Culture and recreation:			
Recreation:			
Personal services	100,170	101,012	100,896
Contractual services	32,175	46,417	39,432
Supplies	17,500	17,500	10,406
Fixed charges	600	600	330
Capital outlay	-	5,943	5,943
Total recreation	150,445	171,472	157,007
Activity center:			
Personal services	151,187	151,741	139,107
Contractual services	85,800	113,800	129,563
Supplies	25,750	39,150	30,582
Fixed charges	4,700	4,700	-
Total activity center	267,437	309,391	299,252
Libraries:			
Contractual services	10,550	10,550	7,251
Fixed charges	-	-	1,385
Grants, contributions and donations	47,672	47,672	47,672
Total libraries	58,222	58,222	56,308
Total culture and recreation	476,104	539,085	512,567
Reserve for contingency:			
Contingency reserve	10,000	10,000	2,632
Total reserve for contingency	10,000	10,000	2,632
Debt service:			
Bonds and notes payable	261,981	241,981	242,505
Interest and fiscal charges	79,314	79,314	80,349
Total debt service	341,295	321,295	322,854
Total expenditures	3,047,830	3,870,238	3,724,340
Revenues over (under) expenditures	187,519	(514,238)	11,654

(Continued)

TOWN OF DANDRIDGE, TENNESSEE

General Fund
 Statement of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 (Continued)

For the Fiscal Year Ended June 30, 2016

	Original 2016 Budget	Revised 2016 Budget	2016 Actual
Other financing sources (uses):			
Proceeds from capital lease	\$ -	\$ 5,298	\$ 5,298
Transfers (to) from other funds	(187,519)	(304,684)	(281,265)
Total other financing sources (uses)	(187,519)	(299,386)	(275,967)
Net change in fund balance	-	(813,624)	(264,313)
Fund balance, beginning	2,016,970	2,016,970	2,016,970
Fund balance, ending	\$ 2,016,970	\$ 1,203,346	\$ 1,752,657

The accompanying notes are an integral
 part of these financial statements.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements

June 30, 2016

1. Summary of Significant Accounting Policies

Description of Government-Wide 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 activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

Reporting Entity

The Town of Dandridge, Tennessee is a municipal corporation governed by an elected mayor and six-member governing council. The accompanying financial statements present the primary government.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The government reports the following major enterprise fund:

The *Water and Sewer Department Fund* accounts for all the activities of Dandridge Water and Sewer System. The Dandridge Water and Sewer System operates the water distribution and sewer collection and treatment systems for residents of the Town and surrounding areas.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Basis of Presentation – Fund Financial Statements (Continued)

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 are 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Measurement Focus and Basis of Accounting (Continued)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The appropriated budget is prepared by fund, function, and department. All supplemental appropriations require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the individual fund level. Budgetary monitoring, however, is maintained at the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

At June 30, 2016, the government had no encumbrances. Also, for the year ended June 30, 2016, the government did not have any excess expenditures over appropriations.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance**Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments (including restricted assets) having original maturity dates of three months or less from date of acquisition.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)**Property Taxes Receivable**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1 of the following year.

Property tax revenues are recognized when levied to the extent that they result in current receivables within sixty days of the end of the year. Property taxes recognized as a receivable before the period of revenue recognition are reported as deferred inflows of resources. A reserve representing delinquent taxes which remain uncollectible and are unavailable to fund expenditures of the fiscal year June 30, 2016 is recorded. The balance of the reserve at June 30, 2016 is \$101,511.

At June 30, 2016, the government's 2016 property taxes were not scheduled to be billed until October 2016. Consequently, unbilled property taxes and deferred inflows of resources of \$1,032,000 are recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, etc.), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the item's capacity, efficiency, or estimated useful life. Donated capital assets are recorded at estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. During the year ended June 30, 2016, there were no capitalized interest costs.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)**Capital Assets (Continued)**

Land and improvements and construction/retirement in progress are not depreciated. The other property, equipment, and infrastructure in governmental activities are depreciated using the straight line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	15 - 150 years
Machinery and equipment	7 - 30 years
Vehicles	8 - 50 years
Streets and bridges	100 years

The other property, plant and equipment in business activities are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Water and sewer systems	7 - 40 years
Structures and improvements	10 - 33 years
Machinery and equipment	3 - 35 years

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.

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 then.

The government has items that qualify for reporting in these categories. Pension contributions made after the net pension liability measurement date are reported as deferred outflows on the statement of net position. Certain property taxes in the general fund are unavailable resources in the current year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the statement of net position includes differences between projected and actual earnings on pension plan earnings and pension plan actuarial experience.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)**Net Position Flow Assumption**

Net position – net investment in capital assets in the government-wide and proprietary fund financial statements consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net investment in capital assets will also include deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. If there are any significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, the portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted or external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as net position - restricted and net position - unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider net position - restricted to have been depleted before net position - unrestricted is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)**Fund Balance Policies (Continued)**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Mayor and Aldermen is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once committed, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Mayor and Aldermen has by resolution authorized the Town Administrator to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses**Program Revenues**

Amounts reported as *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 or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Compensated Absences

Compensated absences are reported in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the government will compensate the employees for the benefits through paid time off or some other means. The government records a liability for accumulated unused vacation time when earned for all employees. The entire compensated absences liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. At June 30, 2016, there were no such amounts reported. The noncurrent portion of the liability is not reported, but if the long-term portion were required to be liquidated, the amount would be paid from the General Fund as has been done in prior years.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Revenues and Expenditures/Expenses (Continued)**Compensated Absences (Continued)**

The Town - Employees of the Town are granted vacation and sick leave in varying amounts based on their length of employment. Annual leave may be accumulated up to twenty-five days. Employees must take annual leave off after accumulating twenty-five days or lose the ability to further accumulate leave.

Employees accrue eight hours of sick leave for each completed month of service, which does not vest upon termination.

Water and Sewer Department – Employees are granted vacation in varying amounts based on their length of employment. Annual leave may be accumulated up to twenty-five days. Employees must take annual leave off after accumulating twenty-five days or lose the ability to further accumulate leave.

Employees accrue eight hours of sick leave for each completed month of service, which does not vest upon termination.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other Accounting Policies**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Other Accounting Policies (Continued)**Restricted Assets**

These assets consist of cash and demand deposits restricted for debt service, drug enforcement, future expansion of facilities, federal grants and various other restricted uses.

Pension Plan

Certain employees of the government participate in a defined benefit pension plan. This plan is the Public Employee Retirement Plan administered by the Tennessee Consolidated Retirement System (TCRS).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the government's participation in this plan, and additions to/deductions from fiduciary net position has been determined on the same basis as it is reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements:

Statement No. 72, "Fair Value Measurement and Application" – The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68" – The requirements of this Statement are effective for financial reporting periods beginning after June 15, 2015.

Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015.

Statement No. 79, "Certain External Investment Pools and Pool Participants" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015.

These Statements have no effect on the Town.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)2. Cash and Cash Equivalents

At June 30, 2016, all of the government's deposits with financial institutions were insured by federal depository insurance or were collateralized by investments held by the government's agent in the government's name.

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash on hand	\$ 10,775	\$ -	\$ 10,775
Checking and money market accounts	<u>2,416,105</u>	<u>53,555</u>	<u>2,469,660</u>
	<u>\$ 2,426,880</u>	<u>\$ 53,555</u>	<u>\$ 2,480,435</u>

State of Tennessee law authorizes the government to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's investment pool.

There are three categories of credit risk that apply to the government's cash and investments:

1. Insured by federal depository insurance or the bank's participation in the State Collateral Pool, or collateralized with securities held by the government or by its agent in the government's name.
2. Collateralized with securities held by the pledging bank's trust department or agent in the government's name.
3. Uncollateralized

The book balances held in each category are as follows:

Insured or collateralized with securities held by the government's agent in the government's name or collateralized with securities held by pledging bank's and government's agent in the government's name

\$2,469,660

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)3. Capital Assets

Governmental capital asset activity for the fiscal year ended June 30, 2016 was as follows:

<u>Governmental Activities</u>	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets, not being depreciated:				
Construction in progress	\$ 15,059	\$ 32,604	\$ 47,663	\$ -
Land	626,202	-	-	626,202
Total capital assets, not being depreciated	641,261	32,604	47,663	626,202
Capital assets, being depreciated:				
Buildings and improvements	4,504,715	12,497	-	4,517,212
Infrastructures	5,349,206	35,166	-	5,384,372
Machinery and equipment	3,051,407	228,800	88,424	3,191,783
Total capital assets, being depreciated	12,905,328	276,463	88,424	13,093,367
Less accumulated depreciation for:				
Buildings and improvements	700,184	97,787	-	797,971
Infrastructures	1,584,233	82,258	-	1,666,491
Machinery and equipment	1,667,281	169,699	74,397	1,762,583
Total accumulated depreciation	3,951,698	349,744	74,397	4,227,045
Capital assets, being depreciated, net	8,953,630	(73,281)	14,027	8,866,322
Governmental activities assets, net	<u>\$ 9,594,891</u>	<u>\$ (40,677)</u>	<u>\$ 61,690</u>	<u>\$ 9,492,524</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 10,983
Public works	139,660
Public safety	46,484
Volunteer fire department	58,455
Recreation and culture	94,162
Total depreciation expense	<u>\$ 349,744</u>

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)3. Capital Assets (Continued)

Business-type capital asset activity for the fiscal year ended June 30, 2016 was as follows:

<u>Business-Type Activities</u>	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital asset, not being depreciated:				
Construction in progress	\$ 1,256,591	\$ (1,198,848)	\$ -	\$ 57,743
Land easements	8,900	-	-	8,900
Total capital asset, not being depreciated	<u>1,265,491</u>	<u>(1,198,848)</u>	<u>-</u>	<u>66,643</u>
Capital assets, being depreciated:				
Buildings	718,780	-	-	718,780
Lines and tanks	11,447,309	2,484,432	-	13,931,741
Equipment	2,670,459	92,687	-	2,763,146
Furniture and fixtures	117,826	-	-	117,826
Vehicles	304,027	-	-	304,027
Total capital assets, being depreciated	<u>15,258,401</u>	<u>2,577,119</u>	<u>-</u>	<u>17,835,520</u>
Less accumulated depreciation for:				
Buildings	146,942	18,841	-	165,783
Lines and tanks	3,869,479	278,831	-	4,148,310
Equipment	757,039	105,224	-	862,263
Furniture and fixtures	49,401	7,578	-	56,979
Vehicles	226,973	18,255	-	245,228
Total accumulated depreciation	<u>5,049,834</u>	<u>428,729</u>	<u>-</u>	<u>5,478,563</u>
Capital assets, being depreciated, net	<u>10,208,567</u>	<u>2,148,390</u>	<u>-</u>	<u>12,356,957</u>
Business-type activities capital assets, net	<u>\$ 11,474,058</u>	<u>\$ 949,542</u>	<u>\$ -</u>	<u>\$ 12,423,600</u>

Depreciation expense was charged to business-type activities as follows:

Water and Sewer \$ 428,729

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)4. Long-Term LiabilitiesGovernmental-Type Activities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016 in governmental activities:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
Capital outlay note, dated 6/30/09	\$ 37,000	\$ -	\$ 37,000	\$ -	\$ -
Capital outlay note, dated 4/7/11	1,805,000	-	85,000	1,720,000	90,000
Capital outlay note, dated 4/10/13	61,000	-	20,000	41,000	20,000
Capital outlay note, dated 5/1/13	86,000	-	28,000	58,000	29,000
Capital outlay note, dated 5/6/15	300,000	-	56,000	244,000	59,000
Capital lease obligation, dated 7/6/12	5,524	-	2,829	2,695	2,695
Capital lease obligation, dated 1/1/14	76,064	-	17,857	58,207	18,608
Capital lease obligation dated 10/28/14	97,204	-	30,849	66,355	32,376
Capital lease obligation, dated 11/17/14	-	5,298	1,970	3,328	1,328
Compensated absences	48,015	55,531	54,778	48,768	-
	<u>\$ 2,515,807</u>	<u>\$ 60,829</u>	<u>\$ 334,283</u>	<u>\$ 2,242,353</u>	<u>\$ 253,007</u>

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)4. Long-Term Liabilities (Continued)Governmental-Type Activities (Continued)

Bonds, capital outlay notes and capital lease obligations at June 30, 2016 consist of the following:

Bonds and Capital Outlay Notes

\$2,040,000 General Obligation Bonds, Series 2011, interest due June 1 and December 1 at a fixed rate of 2.00% to 4.00%, principal due annually on June 1.	\$ 1,720,000
\$100,000 loan agreement with Tennessee Municipal Bond Fund Alternative Loan Program, Series 2013, interest due annually on April 1 at a fixed rate of 2.47%, principal due annually on April 1.	41,000
\$140,000 loan agreement with Tennessee Municipal Bond Fund Alternative Loan Program, Series 2012, interest due annually on November 1 at a fixed rate of 2.16%, principal due annually on November 1.	58,000
\$300,000 loan agreement with Tennessee Municipal Bond Fund Alternative Loan Program, Series 2015, interest due annually on April 1 at a fixed rate of 2.15%, principal due annually on April 1.	<u>244,000</u>
Total bonds and capital outlay notes	<u>\$ 2,063,000</u>

Capital Leases

Capital lease obligation, dated July 6, 2012, sixty monthly payments of \$250. Interest rate is 4.00%.	\$ 2,695
Capital lease obligation, dated January 1, 2014, five consecutive annual payments of \$21,057. Interest rate is 4.206%.	58,207
Capital lease obligation, dated October 28, 2014, four consecutive in advance payments of \$132,865. Interest rate is 4.95%.	66,355
Capital Lease Obligation, dated November 17, 2014, forty-eight monthly payments of \$122 for a total of \$5,298. Interest rate is 5.075%.	<u>3,328</u>
Total capital leases	<u>\$ 130,585</u>

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)4. Long-Term Liabilities (Continued)**Business-Type Activities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016 in business-type activities:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due in One Year
Water & Sewer Refunding Bonds, Series 2014	\$ 4,680,425	\$ -	\$ 133,625	\$ 4,546,800	\$ 144,200
Capital outlay note dated 5/6/15	200,000	-	37,000	163,000	40,000
Interfund note payable	199,091	-	6,334	192,757	6,334
	<u>\$ 5,079,516</u>	<u>\$ -</u>	<u>\$ 176,959</u>	<u>\$ 4,902,557</u>	<u>\$ 190,534</u>

Bonds and Capital Outlay Notes

\$4,680,425 Water & Sewer Revenue and Tax Refunding Bond, Series 2014, principal payable in 25 annual payments beginning August 2015, interest payable in semi-annual installments at a rate of 2.29% through 2039.

\$ 4,546,800

\$200,000 Capital Outlay Note - Tennessee Municipal Bond Fund, principal payable in five annual installments beginning April 2016, interest payable in semi-annual installments at a rate of 2.15% through 2020.

163,000

Note payable to General Fund for purchase of water lines and tank, payable in annual principal installments of \$6,334 through 2047. Note payable is non-interest bearing.

192,757

Total business-type long-term debt

4,902,557

Less current maturities

190,534

\$ 4,712,023

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)4. Long-Term Liabilities (Continued)**Business-Type Activities (Continued)****Principal and Interest Requirements**

The annual requirements to amortize long-term liabilities as of June 30, 2016 are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 253,007	\$ 72,874	\$ 190,534	\$ 105,974
2018	254,767	66,176	193,934	101,773
2019	177,811	58,932	198,234	97,496
2020	163,000	54,367	202,734	93,119
2021	100,000	50,013	164,234	88,640
2022-2026	570,000	198,437	877,070	386,638
2027-2031	675,000	83,000	978,470	236,080
Thereafter	-	-	2,097,347	261,030
	<u>\$ 2,193,585</u>	<u>\$ 583,799</u>	<u>\$ 4,902,557</u>	<u>\$ 1,370,750</u>

5. Retirement Plan**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)****General Information about the Pension Plan**

Plan description. Certain employees of the government are provided a defined benefit pension 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 Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes 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 5 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 at age 55 and vested. 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

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)General Information about the Pension Plan (Continued)

are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd 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 3 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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	55
Active employees	<u>43</u>
	<u>111</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. The government makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the government were \$216,871 based on a rate of 14.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the government's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (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)

The government's net pension liability (asset) was measured as of June 30, 2015, 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 June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)Net Pension Liability (Asset) (Continued)*Actuarial assumptions (continued)*

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)Changes in the Net Pension Liability (Asset)

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the government 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.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Beginning balance*	\$ 3,945,618	\$ 4,209,690	\$ (264,072)
Changes for the year:			
Service cost	98,036	-	98,036
Interest	298,555	-	298,555
Differences between expected and actual experience	(60,652)	-	(60,652)
Contributions - employer	-	216,871	(216,871)
Contributions - employees	-	-	-
Net investment income	-	131,024	(131,024)
Benefit payments, including refunds of employee contributions	(125,851)	(125,851)	-
Administrative expense	-	(2,132)	2,132
Net changes	<u>210,088</u>	<u>219,912</u>	<u>(9,824)</u>
Ending balance*	<u>\$ 4,155,706</u>	<u>\$ 4,429,602</u>	<u>\$ (273,896)</u>

* The measurement date of the beginning balance was June 30, 2014 and the measurement date of the ending balance was June 30, 2015. The reporting date of the beginning balance is June 30, 2015 and the reporting date of the ending balance is June 30, 2016.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
(Continued)Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the government calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Government's net pension liability (asset)	\$ 370,919	\$ (273,896)	\$ (801,991)

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

Pension Expense. For the year ended June 30, 2015, the government recognized pension expense of \$25,636.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 143,615
Net difference between projected and actual earnings on pension plan investments	150,429	194,600
Changes in proportion and differences between contributions and proportionate share of contributions	-	388
Contributions subsequent to the measurement date of June 30, 2015	<u>220,165</u>	<u>-</u>
Total	<u>\$ 370,594</u>	<u>\$ 338,603</u>

The amount shown above for "contributions subsequent to the measurement date of June 30, 2015" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)5. Retirement Plan (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)
(Continued)**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

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

Year Ended June 30:		
2017	\$	(49,933)
2018		(49,933)
2019		(49,933)
2020		14,935
2021		(22,673)
Thereafter		(30,249)

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, 2016, the government reported a payable of \$3,760 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

6. Postemployment Benefits

The Plan is a single employer defined benefit other postemployment benefit plan administered by the government. The Plan's provisions are established and may be amended by the Mayor and Board of Aldermen.

Postemployment health care is available to certain retired employees of the Town. Hospitalization insurance is provided to retired employees until age 65 or until eligible for Medicare.

Summary of Principal Plan Provisions**Plan Provisions****Medical Benefits**

Eligibility

Retirement at age 62 with 5 years of service

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)6. Postemployment Benefits (Continued)**Summary of Principal Plan Provisions (Continued)****Medical Benefits (Continued)**

Postretirement Contributions

Dandridge pays a portion of the premium for individual coverage for the retiree based on years of service at retirement. The retiree pays the balance, if any. The premium subsidy is 100% for retirees with 20 or more years of service at retirement; 80% with at least 15 but less than 20 years of service; 60% with at least 10 but less than 15 years of service and no subsidy for less than 10 years of service.

Medical Plan Benefit

Benefits are provided through the Local Government Plan under the State of Tennessee Group Insurance Program. PPO options are available through either Blue Cross Blue Shield of Tennessee or CIGNA.

Coverage is provided to the age of Medicare eligibility

Other Benefits

No other healthcare benefits are available to retirees.

All benefits continue as long as any required contributions are paid.

Change in Plan Provisions

None

Methods and Assumptions**Actuarial Method**

Entry Age Normal Cost Method (Percentage of Salary)

Service Cost

Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)6. Postemployment Benefits (Continued)**Summary of Principal Plan Provisions (Continued)****Methods and Assumptions (Continued)****Accumulated Postretirement
Benefit Obligation**

The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

Discount Rate

4.00% (1.00% real rate of return plus 3.00% inflation)

Average Per Capital Claim Cost

Determined as of July 1, 2015

Age	Medical
55	9,828
56	10,172
57	10,528
58	10,897
59	11,278
60	11,673
61	12,081
62	12,504
63	12,942
64	13,395

Health Care Cost Trend

8.00% initial for FY2016 grading to 5.00% in FY2019

Mortality

RP-2014 Total with Projection MP-2015 Fully Generational

Turnover

Rates varying by age/ service/ gender.
Sample male rates:

Age 20	Age 35	Age 50
15.70%	5.80%	1.90%

Disability

None assumed

Payroll Increase Rate

2.50%

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

6. Postemployment Benefits (Continued)

Summary of Principal Plan Provisions (Continued)

Methods and Assumptions (Continued)

Retirement Rates Rates vary by age, with an average retirement age of 62.

Retiree Contributions Based on years of service at retiree. Retirees with 20 or more years of service do not contribute toward the individual medical premium

Data Assumptions

Age Difference/% Married Spouses are assumed to be equal age, 50% married.

Coverage 100% of all retirees who currently have healthcare coverage will continue with the same coverage.

100% of all actives who currently have healthcare coverage will continue with individual coverage upon retirement. For those with family coverage, none will elect to continue with spouse coverage and the remainder will elect individual coverage.

Valuation Methodology and Terminology

We have used GASB accounting methodology to determine the post-retirement medical benefit obligations.

Amortization Period

The period used to determine amortization costs for the Unfunded Actuarial Accrued Liability is a period for 30 years based on the percentage of covered payroll.

Valuation Date

July 1, 2015

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)6. Postemployment Benefits (Continued)**Summary of Principal Plan Provisions (Continued)****GASB 45 Disclosure Requirements – Estimated**

A.	Annual OPEB Cost and Net OPEB Obligation	07/01/2012- 06/30/2013	07/01/2013- 06/30/2014	7/01/2014- 6/30/2015	07/01/2015- 06/30/2016
1.	Annual Required Contribution (ARC)	\$ 16,467	\$ 17,037	\$ 17,889	\$ 17,187
2.	Interest on net OPEB Obligation	1,614	2,240	2,917	3,652
3.	Adjustment to ARC	(1,830)	(2,331)	(2,448)	(3,801)
4.	Annual OPEB Cost (Expense)	16,251	16,946	18,358	17,038
5.	Contribution made (assumed middle of year)*	(615)	-	-	(2,546)
6.	Increase in net OPEB Obligation	15,636	16,946	18,358	14,492
7.	Net OPEB Obligation - beginning of year	40,353	55,989	72,935	91,293
8.	Net OPEB Obligation - end of year	<u>\$ 55,989</u>	<u>\$ 72,935</u>	<u>\$ 91,293</u>	<u>\$ 105,785</u>

*Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2014, 2015, and 2016 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2014	\$ 16,946	0.0%	\$ 72,935
06/30/2015	\$ 18,358	0.0%	\$ 91,293
06/30/2016	\$ 17,038	14.9%	\$ 105,785

A. Funded Status and Funding Progress (latest information available)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b - a)/ c)
7/1/2011	\$ 0	\$ 78,318	\$ 78,318	0.0%	\$ 1,401,278	5.60%
7/1/2013	\$ 0	\$ 135,012	\$ 135,012	0.0%	\$ 1,547,022	8.73%
7/1/2015	\$ 0	\$ 126,122	\$ 126,122	0.0%	\$ 1,376,398	9.16%

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)7. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The government purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the last three years.

8. Litigation

Various claims and lawsuits are filed against the Town from time to time. Management intends to vigorously defend these complaints. Any litigation involving the Town during the current fiscal year has been resolved.

9. Interfund Receivables and Payables

Interfund receivable/payable balances at June 30, 2016 are as follows:

Due To	Due From					Total
	General Fund	Drug Fund	Sanitation Fund	Volunteer Fire Department Fund	Water and Sewer Fund	
General Fund	\$ -	\$ 274	\$ -	\$ -	\$ 192,757	\$ 193,031
Drug Fund	5,000	-	-	-	-	5,000
Volunteer Fire Department Fund	495	-	-	-	-	495
Solid Waste Management Fund	32,430	-	-	-	11,130	43,560
Water and Sewer Fund	330	-	-	-	-	330
	<u>\$ 38,255</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,887</u>	<u>\$ 242,416</u>

The purposes of these balances are to provide cash flow to various small funds and financing of an industrial development water tank.

TOWN OF DANDRIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)10. Operating Transfers

During the year, there were various operating transfers to and from other funds.

<u>Transfers To:</u>	<u>Transfers From:</u>
	<u>General Fund</u>
Volunteer Fire Department Fund	\$ 259,242
Sanitation Fund	22,023
Total	<u>\$ 281,265</u>

The purpose of these transfers from the General Fund was to provide funding for operational shortfalls and capital outlays in these funds.

11. Subsequent Events

Management has evaluated subsequent events through February 24, 2017, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of TCRS

For the Last 10 Measurement Periods Ended on June 30*

	2015	2014
Total pension liability		
Service cost	\$ 98,036	\$ 107,679
Interest	298,555	288,079
Changes in benefit terms	-	-
Differences between actual and expected experience	(60,652)	(120,727)
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(125,851)	(125,580)
Net change in total pension liability	<u>210,088</u>	<u>149,451</u>
Total pension liability - beginning	<u>3,945,618</u>	<u>3,796,167</u>
Total pension liability - ending (a)	<u><u>\$ 4,155,706</u></u>	<u><u>\$ 3,945,618</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 216,871	\$ 194,076
Contributions - employee	-	-
Net investment income	131,024	593,068
Benefit payments, including refunds of employee contributions	(125,851)	(125,580)
Administrative expense	(2,132)	(1,505)
Net change in plan fiduciary net position	<u>219,912</u>	<u>660,059</u>
Plan fiduciary net position - beginning	<u>4,209,690</u>	<u>3,549,631</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,429,602</u></u>	<u><u>\$ 4,209,690</u></u>
Net pension liability (asset) - ending (a)-(b)	<u><u>\$ (273,896)</u></u>	<u><u>\$ (264,072)</u></u>
Plan fiduciary net position as a percentage of total pension liability	106.59%	106.69%
Covered-employee payroll	\$ 1,521,902	\$ 1,366,258
Net pension liability (asset) as a percentage of covered-employee payroll	-18.00%	-19.33%

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Dandridge's Contributions Based on Participation
in the Public Employee Pension Plan of TCRS

Last 10 Fiscal Years Ending June 30*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 216,871	\$ 212,777	\$ 194,076
Contributions in relation to the actuarially determined contribution	<u>216,871</u>	<u>212,777</u>	<u>194,076</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,521,902	\$ 1,489,306	\$ 1,366,258
Contributions as a percentage of covered-employee payroll	14.25%	14.29%	14.20%

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE
Notes to Required Supplementary Information
June 30, 2016

Notes to Schedule - Public Employee Pension Plan of TCRS

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Funding Progress

June 30, 2016

SCHEDULE OF FUNDING PROGRESS FOR THE TOWN OF DANDRIDGE'S OTHER POSTEMPLOYMENT BENEFITS*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 01, 2011	\$0	\$78,318	\$78,318	0.00%	\$1,401,278	5.60%
July 01, 2013	\$0	\$135,012	\$135,012	0.00%	\$1,547,022	8.73%
July 01, 2015	\$0	\$126,122	\$126,122	0.00%	\$1,376,398	9.16%

*Latest information available

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF DANDRIDGE, TENNESSEE
 Schedule of Expenditures of Federal and State Awards (1)

For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Balance July 1, 2015		Receipts/ Loans/ Forfeitures	Expenditures/ Repayments	Balance June 30, 2016	
			Receivable	Unexpended			Receivable	Unexpended
FEDERAL AWARDS:								
U.S. Department of Transportation:								
State of Tennessee Department of Transportation - GHSG	20.607	Z15GH2054	\$ 3,743	\$ -	\$ 12,054	\$ 8,311	(2)	\$ -
State of Tennessee Department of Transportation - GHSG	20.607	Z16GHS095	-	-	5,000	5,000	(2)	-
U.S. Department of Housing and Urban Development:								
State of Tennessee - Tennessee Housing Development Agency - HOMIE Grant	14.239	31620-00299	-	-	-	3,000	-	3,000
Tennessee Department of Economic and Community Development CDBG Sewer Line Replacement	14.218	Edison Vendor ID #2586	-	-	179,722	227,135	-	47,413
U.S. Department of Homeland Security:								
Federal Emergency Management Agency - Assistance to Firefighter Grant	97.044	N/A	-	-	843	843	-	-
Federal Emergency Management Agency - Tennessee Emergency Management Agency Winter Storm and Flooding DR-4211	97.036	34101-10516	-	-	10,295	10,295	-	-
U.S. Department of the Interior:								
State of Tennessee Historical Commission - Preservation Grant	15.904	32701-01257	4,510	-	7,488	2,988	-	-
TOTAL FEDERAL AWARDS			8,253	-	215,412	257,572	-	50,413
STATE AWARDS:								
Tennessee Emergency Management Agency Winter Storm and Flooding DR-4211	N/A	34101-10516	-	-	1,232	1,232	-	-
State of Tennessee Department of Finance and Administration - Office of Criminal Justice Interlock Equipment Grant	N/A	31701-62011	-	-	7,287	7,287	-	-
State of Tennessee Department of Environment and Conservation - Used Oil Grant	N/A	32701-02263	-	-	21,147	21,147	-	-
State of Tennessee Department of Environment and Conservation - Used Oil Grant	N/A	32701-02653	-	-	9,475	9,475	-	-
TOTAL STATE AWARDS			-	-	39,141	39,141	-	-
TOTAL FEDERAL AND STATE AWARDS			\$ 8,253	\$ -	\$ 254,553	\$ 296,713	\$ 50,413	\$ -

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
 (2) Total CFDA #20.607 is \$13,311

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Nonmajor Governmental Funds
Combining Balance Sheet

June 30, 2016

	Governmental Funds				Total Nonmajor Governmental Funds
	Sanitation Fund	Volunteer Fire Department Fund	Drug Fund		
ASSETS					
Cash and cash equivalents	\$ -	\$ 244,847	\$ 53,555		\$ 298,402
Accounts receivable	-	269	672		941
Due from other governmental funds	32,431	494	5,000		37,925
Due from proprietary fund	11,130	-	-		11,130
Total assets	\$ 43,561	\$ 245,610	\$ 59,227		\$ 348,398
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 36,028	\$ -		\$ 36,028
Accrued expenses	1,641	-	-		1,641
Due to other funds	-	-	274		274
Funds held in trust	-	-	3,732		3,732
Total liabilities	1,641	36,028	4,006		41,675
Fund balances:					
Restricted	-	-	55,221		55,221
Assigned	41,920	209,582	-		251,502
Total fund balances	41,920	209,582	55,221		306,723
Total liabilities and fund balances	\$ 43,561	\$ 245,610	\$ 59,227		\$ 348,398

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	Sanitation Fund			Volunteer Fire Department Fund			Drug Fund			Total Nonmajor Governmental Funds		
	2016 Original Budget	2016 Final Budget	2016 Actual	2016 Original Budget	2016 Final Budget	2016 Actual	2016 Original Budget	2016 Final Budget	2016 Actual	2016 Original Budget	2016 Final Budget	2016 Actual
Revenues:												
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 55,000	\$ 76,147	\$ 76,990	\$ -	\$ -	\$ -	\$ 55,000	\$ 76,147	\$ 76,990
Charges for services	108,000	108,000	115,789	2,475	2,475	600	-	-	-	110,475	110,475	116,389
Interest earnings	-	-	-	75	75	101	-	-	-	75	75	101
Fines, forfeits and penalties	-	-	-	-	-	-	-	-	25,459	-	-	25,459
Contributions and donations	-	-	-	25,750	96,862	102,361	-	-	-	25,750	96,862	102,361
Sale of seized equipment	-	-	-	-	-	-	-	-	15,587	-	-	15,587
Other revenue	-	-	1,283	19,200	30,098	29,437	-	-	-	19,200	30,098	30,720
Total revenues	108,000	108,000	117,072	102,500	205,657	209,489	-	-	41,046	210,500	313,657	367,607
Expenditures:												
Personal services	104,234	104,234	83,297	85,045	89,895	86,434	-	-	-	189,279	194,129	169,731
Contractual services	17,400	17,400	21,987	50,300	68,810	64,539	150	150	100	67,850	87,360	86,626
Supplies	26,300	26,300	29,841	51,950	79,600	71,439	5,150	5,150	6,514	83,400	111,050	107,794
Fixed charges	5,508	5,508	4,489	14,704	14,704	16,253	-	-	-	20,212	20,212	20,742
Other expenditures	-	-	1,446	-	-	-	-	-	-	-	-	1,446
Capital outlay	-	-	-	5,000	169,147	136,526	10,200	10,200	2,724	15,200	179,347	139,250
Debt service	-	-	-	37,578	41,743	41,925	-	-	-	37,578	41,743	41,925
Total expenditures	153,442	153,442	141,060	244,577	464,899	417,116	15,500	15,500	9,338	413,519	633,841	567,514
Revenues over (under) expenditures	(45,442)	(45,442)	(23,988)	(142,077)	(259,242)	(207,627)	(15,500)	(15,500)	31,708	(203,019)	(320,184)	(199,907)
Other financing sources (uses):												
Interfund transfers - in (out)	45,442	45,442	22,023	142,077	259,242	259,242	-	-	-	187,519	304,684	281,265
Total other financing sources (uses)	45,442	45,442	22,023	142,077	259,242	259,242	-	-	-	187,519	304,684	281,265
Net changes in fund balances	-	-	(1,965)	-	-	51,615	(15,500)	(15,500)	31,708	(15,500)	(15,500)	81,358
Fund balance, beginning	43,885	43,885	43,885	157,967	157,967	157,967	23,513	23,513	23,513	225,365	225,365	225,365
Fund balance, ending	\$ 43,885	\$ 43,885	\$ 41,920	\$ 157,967	\$ 157,967	\$ 209,582	\$ 8,013	\$ 8,013	\$ 55,221	\$ 209,865	\$ 209,865	\$ 306,723

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities

June 30, 2016

Year Ending June 30,	Fixed Rate \$2,040,000 General Obligation Bonds 2.00% to 4.00%		Fixed Rate \$100,000 Capital Outlay Note 2.47%		Fixed Rate \$140,000 Capital Outlay Note 2.16%		Fixed Rate \$300,000 Capital Outlay Note 2.15%		Capital Lease Obligation 4.00%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 90,000	\$ 58,438	\$ 20,000	1,013	\$ 28,000	1,253	\$ 59,000	5,246	\$ 2,685	54
2018	90,000	57,637	21,000	518	28,000	626	60,000	3,978	-	-
2019	95,000	55,388	-	-	-	-	62,000	2,686	-	-
2020	100,000	53,012	-	-	-	-	63,000	1,355	-	-
2021	100,000	50,013	-	-	-	-	-	-	-	-
2022	105,000	47,012	-	-	-	-	-	-	-	-
2023	110,000	43,600	-	-	-	-	-	-	-	-
2024	115,000	40,025	-	-	-	-	-	-	-	-
2025	120,000	36,000	-	-	-	-	-	-	-	-
2026	120,000	31,800	-	-	-	-	-	-	-	-
2027	125,000	27,000	-	-	-	-	-	-	-	-
2028	130,000	22,000	-	-	-	-	-	-	-	-
2029	135,000	16,800	-	-	-	-	-	-	-	-
2030	140,000	11,400	-	-	-	-	-	-	-	-
2031	145,000	5,800	-	-	-	-	-	-	-	-
	\$ 1,720,000	\$ 556,925	\$ 41,000	1,531	\$ 58,000	1,879	\$ 244,000	13,265	\$ 2,685	54

(Continued)

TOWN OF DANDRIDGE, TENNESSEE
 Schedule of Long-Term Principal and Interest Requirements by Issue
 Governmental Activities
 (Continued)

June 30, 2016

Year Ending June 30,	Capital Lease Obligation 4.206%		Capital Lease Obligation 4.95%		Capital Lease Obligation 5.075%		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 18,608	\$ 2,448	\$ 32,376	\$ 3,284	\$ 1,328	\$ 138	\$ 253,007	\$ 72,874
2018	19,391	1,868	33,979	1,682	1,397	69	254,767	66,176
2019	20,208	850	-	-	603	8	177,811	58,932
2020	-	-	-	-	-	-	163,000	54,367
2021	-	-	-	-	-	-	100,000	50,013
2022	-	-	-	-	-	-	105,000	47,012
2023	-	-	-	-	-	-	110,000	43,600
2024	-	-	-	-	-	-	115,000	40,025
2025	-	-	-	-	-	-	120,000	36,000
2026	-	-	-	-	-	-	120,000	31,800
2027	-	-	-	-	-	-	125,000	27,000
2028	-	-	-	-	-	-	130,000	22,000
2029	-	-	-	-	-	-	135,000	16,800
2030	-	-	-	-	-	-	140,000	11,400
2031	-	-	-	-	-	-	145,000	5,800
	<u>\$ 58,207</u>	<u>\$ 4,964</u>	<u>\$ 66,355</u>	<u>\$ 4,966</u>	<u>\$ 3,328</u>	<u>\$ 215</u>	<u>\$ 2,193,585</u>	<u>\$ 583,799</u>

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities

June 30, 2016

Year Ending June 30,	Water and Sewer Revenue and Tax Refunding Bond, Series 2014, 2.29% Fixed Rate		\$200,000 Capital Outlay Note 2.15% Fixed Rate		Note Payable to General Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 144,200	\$ 102,470	\$ 40,000	\$ 3,504	\$ 6,334	\$ -	\$ 190,534	\$ 105,974
2018	147,600	99,129	40,000	2,644	6,334	-	193,934	101,773
2019	150,900	95,711	41,000	1,785	6,334	-	198,234	97,496
2020	154,400	92,216	42,000	903	6,334	-	202,734	93,119
2021	157,900	88,640	-	-	6,334	-	164,234	86,640
2022	161,500	84,983	-	-	6,334	-	167,834	84,983
2023	165,200	81,242	-	-	6,334	-	171,534	81,242
2024	169,000	77,415	-	-	6,334	-	175,334	77,415
2025	172,900	73,501	-	-	6,334	-	179,234	73,501
2026	176,800	69,497	-	-	6,334	-	183,134	69,497
2027	180,900	65,401	-	-	6,334	-	187,234	65,401
2028	185,000	61,212	-	-	6,334	-	191,334	61,212
2029	189,300	56,928	-	-	6,334	-	195,634	56,928
2030	193,600	52,541	-	-	6,334	-	199,934	52,541
2031	198,000	48,058	-	-	6,334	-	204,334	48,058
Thereafter	1,999,600	212,972	-	-	97,747	-	2,097,347	212,972
	\$ 4,546,800	\$ 1,361,914	\$ 163,000	\$ 8,836	\$ 192,757	\$ -	\$ 4,902,557	\$ 1,370,750

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Utility Plant, Property and Equipment,
and Accumulated Depreciation

June 30, 2016

	Utility Plant, Property, and Equipment				Accumulated Depreciation			Net Plant
	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Expense	Retirements	Balance June 30, 2016	
Water system:								
Land and easements	\$ 8,900	\$ -	\$ -	\$ 8,900	\$ -	\$ -	\$ -	\$ 8,900
Buildings	126,189	-	-	126,189	3,451	-	92,389	33,800
Lines and tanks	6,268,262	2,038,060	-	8,306,322	160,073	-	2,121,825	6,184,497
Equipment	697,700	56,382	-	754,082	42,508	-	441,501	312,581
Vehicles	113,552	-	-	113,552	2,627	-	109,611	3,941
Furniture and fixtures	27,932	-	-	27,932	1,206	-	26,645	1,287
Total water system	7,242,535	2,094,442	-	9,336,977	209,865	-	2,791,971	6,545,006
Sewer system:								
Buildings	592,591	-	-	592,591	15,390	-	73,394	519,197
Lines and tanks	5,179,047	446,372	-	5,625,419	118,758	-	2,026,485	3,598,934
Equipment	1,972,759	36,305	-	2,009,064	62,716	-	420,762	1,588,302
Vehicles	190,475	-	-	190,475	15,628	-	135,617	54,858
Furniture and fixtures	89,894	-	-	89,894	6,372	-	30,334	59,580
Total sewer system	8,024,766	482,677	-	8,507,443	218,864	-	2,686,592	5,820,851
Total plant in service	15,267,301	2,577,119	-	17,844,420	428,729	-	5,478,563	12,365,857
Construction work in progress	1,256,591	(1,198,848)	-	57,743	-	-	-	57,743
Total plant	\$ 16,523,892	\$ 1,378,271	\$ -	\$ 17,902,163	\$ 428,729	\$ -	\$ 5,478,563	\$ 12,423,600

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Fiscal Year Ended June 30, 2016

Tax Year	Balance July 1, 2015	Current Assessment	Abatements and Adjustments	Collections	Balance June 30, 2016
2015	\$ -	\$ 1,025,973	\$ (2,968)	\$ 948,416	\$ 74,589
2014	109,579	-	(404)	98,595	10,580
2013	32,131	-	-	21,824	10,307
2012	9,816	-	-	1,747	8,069
2011	7,657	-	-	2,558	5,099
2010	5,490	-	-	523	4,967
2009	6,461	-	-	997	5,464
2008	3,073	-	-	636	2,437
2007	2,011	-	-	-	2,011
2006	662	-	-	-	662
2005	188	-	-	-	188
2004	473	-	-	-	473
2003	1,069	-	-	-	1,069
Total	\$ 178,610	\$ 1,025,973	\$ (3,372)	\$ 1,075,296	125,915
January 1, 2016 property tax assessment not to be billed until October 1, 2016					1,032,000
					\$ 1,157,915

NOTE: All outstanding delinquent property taxes for years 2003 - 2014
have been filed in Chancery Court.

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE

Analysis of Tax Rates and Assessments

June 30, 2016

Fiscal Year	Assessed Value	Tax Rate Per \$100	Total Tax Levy	Total Tax Collections	Total Collections as a Percent of Total Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes Filed in Chancery Court
2005	\$ 61,475,166	1.00	\$ 614,752	\$ 614,564	99.97%	\$ 188	\$ 188
2006	67,375,860	1.00	726,001	725,339	99.91%	662	662
2007	71,599,900	1.00	761,918	759,907	99.74%	2,011	2,011
2008	75,670,000	1.00	804,238	801,801	99.70%	2,437	2,437
2009	81,321,960	1.00	813,220	807,756	99.33%	5,464	5,464
2010	93,988,111	0.8469	831,974	827,007	99.40%	4,967	4,967
2011	93,234,121	0.8969	881,270	876,171	99.42%	5,099	5,099
2012	94,535,033	0.9400	942,673	934,604	99.14%	8,069	8,069
2013	99,399,194	0.9400	940,996	930,689	98.90%	10,307	10,307
2014	99,975,151	0.9890	993,736	983,156	98.94%	10,580	10,580
2015	102,712,844	0.9990	1,023,005	948,416	92.71%	74,589	-

See independent auditor's report.

TOWN OF DANDRIDGE, TENNESSEE
Utility Rate Structure and Number of Customers
 June 30, 2016

WATER RATES	<u>Inside Town</u>	<u>Outside Town</u>	<u>E-One</u>
Residential:			
First 2,000 gallons (minimum billing)	\$16.11	\$24.11	N/A
Over 2,000 gallons (per 1,000 gallons)	2.99	5.87	N/A
Commercial:			
First 2,000 gallons (minimum billing)	20.96	31.71	N/A
Over 2,000 gallons (per 1,000 gallons)	3.73	7.32	N/A
Heavy commercial and industrial:			
First 2,000 gallons (minimum billing)	32.26	49.44	N/A
Over 2,000 gallons (per 1,000 gallons)	3.95	7.74	N/A
Swannsylvania:			
First 2,000 gallons (minimum billing)	N/A	33.01	N/A
Over 2,000 gallons (per 1,000 gallons)	N/A	5.08	N/A
SEWER RATES			
Residential (Inside Town):			
First 2,000 gallons (minimum billing)	16.09	N/A	\$17.69
Over 2,000 gallons (per 1,000 gallons)	4.11	N/A	4.52
Residential (Outside Town):			
First 2,000 gallons (minimum billing)	N/A	24.62	27.09
Over 2,000 gallons (per 1,000 gallons)	N/A	8.85	9.73
Commercial (Inside Town):			
First 2,000 gallons (minimum billing)	21.41	N/A	23.55
Over 2,000 gallons (per 1,000 gallons)	4.97	N/A	5.46
Commercial (Outside Town):			
First 2,000 gallons (minimum billing)	N/A	33.00	36.30
Over 2,000 gallons (per 1,000 gallons)	N/A	10.66	11.73
Heavy commercial and industrial (Inside Town):			
First 2,000 gallons (minimum billing)	33.83	N/A	37.21
Over 2,000 gallons (per 1,000 gallons)	4.97	N/A	5.46
Heavy commercial and industrial (Outside Town):			
First 2,000 gallons (minimum billing)	N/A	52.50	57.75
Over 2,000 gallons (per 1,000 gallons)	N/A	10.66	11.73
NUMBER OF METERED CUSTOMERS			
Water		3,147	
Sewer		1,390	

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OTHER STATISTICAL SCHEDULES
(Unaudited)

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association

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Water Audit Report for: **Dandridge Water Management Facility (0000170)**
Reporting Year: **FY2016** **7/2015 - 6/2016**

Please enter data in the white cells below. Where available, metered values should be used, if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **1000 GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

	Enter grading in column 'E' and 'J'	Pcnt:	Value:	
Volume from own sources:	0.000 MG/Yr			
Water imported:	241.093 MG/Yr	-1.05%		
Water exported:	0.000 MG/Yr			

WATER SUPPLIED: **243.651** MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered:	184.741 MG/Yr			
Billed unmetered:	0.000 MG/Yr			
Unbilled metered:	0.147 MG/Yr			
Unbilled unmetered:	3.046 MG/Yr			

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **187.934** MG/Yr

Click here for help using option buttons below
Pcnt: 1.25% Value: MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

55.718 MG/Yr

Apparent Losses

Unauthorized consumption: 0.609 MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	0.000 MG/Yr
Systematic data handling errors:	0.382 MG/Yr

Apparent Losses: **0.991** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **54.727** MG/Yr

WATER LOSSES: **55.718** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **58.910** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	136.1 miles
Number of active AND inactive service connections:	3,614
Service connection density:	27 conn./mile main

Are customer meters typically located at the curbstop or property line? **Yes**

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 98.0 psi

COST DATA

Total annual cost of operating water system:	\$1,182,705	\$/Year
Customer retail unit cost (applied to Apparent Losses):	\$6.47	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	\$1,780.00	\$/Million gallons

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 80 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Water imported
- 2: Customer metering inaccuracies
- 3: Unauthorized consumption



**AWWA Free Water Audit Software:
System Attributes and Performance Indicators**

WAS v5.0
American Water Works Association

Water Audit Report for: **Dandridge Water Management Facility (0000170)**
Reporting Year: **FY2016** **7/2015 - 6/2016**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 *****

System Attributes:

Apparent Losses:	0.991	MG/Yr
+ Real Losses:	54.727	MG/Yr
= Water Losses:	55.718	MG/Yr
? Unavoidable Annual Real Losses (UARL):	45.73	MG/Yr
Annual cost of Apparent Losses:	\$6,413	
Annual cost of Real Losses:	\$97,413	

Valued at Variable Production Cost

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: {

Non-revenue water as percent by volume of Water Supplied: **24.2%**
Non-revenue water as percent by cost of operating system: **9.3%**

Real Losses valued at Variable Production Cost

Operational Efficiency: {

Apparent Losses per service connection per day: **0.75** gallons/connection/day
Real Losses per service connection per day: **N/A** gallons/connection/day
Real Losses per length of main per day*: **1,101.66** gallons/mile/day
Real Losses per service connection per day per psi pressure: **N/A** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **54.73** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **1.20**

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

TOWN OF DANDRIDGE, TENNESSEE

Miscellaneous Statistical Data

June 30, 2016

Incorporated	1915
Form of government	Mayor - Aldermen
Area in square miles	5.76
Police protection:	
Number of stations	1
Number of full-time employees	11
Fire protection:	
Number of stations	2
Number of employees	0
Number of volunteers	33
Total number of public safety employees (full-time)	11
Municipal water plant:	
Average daily consumption in gallons	650,000
Maximum storage capacity in gallons	2,012,000
Paved streets (per lane mile)	90
Water lines (miles)	145
Sanitary sewer (miles)	55

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

BROWN JAKE & McDANIEL, PC

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MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
 IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Mayor and Aldermen
 Town of Dandridge, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dandridge, Tennessee (the Town) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Dandridge, Tennessee's basic financial statements and have issued our report thereon dated February 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Dandridge, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown Lake & McDowell, PC

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
February 24, 2017

TOWN OF DANDRIDGE, TENNESSEE
Summary Schedule of Prior Audit Findings

There were no prior year findings.

