NEW ISSUE

Ratings: S&P Global Rating – BAM insured "AA"
"A" (Underlying)
(See "MISCELLANEOUS-Rating")

Book-Entry-Only

OFFICIAL STATEMENT

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

$15,475,000
MCNAIRY COUNTY, TENNESSEE
General Obligation School Bonds, Series 2018

Dated: March 1, 2018. Due: June 1 (as shown below)

The $15,475,000 General Obligation School Bonds, Series 2018 (the "Bonds") of McNairy County, Tennessee (the "County" or the "Issuer") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2018 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.

Both the principal of and interest on this Bond are primarily payable from (a) such portion of the County Schools System's Basic Education Plan funds as may be utilized for such purposes, (b) the County Schools System's local option sales tax revenues received pursuant to T.C.A. Section 67-6-712, and (c) all of its other legally available funding sources, all of which sources of funds have been pledged by the County Board of Education of the School System, individually and on behalf of the County School System, as set forth in the County Board of Education's February 9, 2017 resolution, and further set forth in the Interlocal Agreement, dated April 10, 2017, by among the County, the County Commission, the County School System, and the County Board of Education. Additionally, the principal of and interest on the Bonds are payable from taxes to be levied upon all taxable property of the County without limitation as to rate or amount. For the prompt payment of both principal and interest on this Bond, the full faith, credit and resources of the County are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

BAM
BUILD AMERICA MUTUAL

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the County by Deusner & Kennedy, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about March 1, 2018.

Cumberland Securities Company, Inc.
Financial Advisor

February 7, 2018

$15,475,000
MCNAIRY COUNTY, TENNESSEE

$15,475,000 General Obligation School Bonds, Series 2018

Due (June 1)	Amount	Interest Rate	Yield		CUSIP**	Due (June 1)	Amount	Interest Rate	Yield	CUSIP**
2021	$ 340,000	5.00%	1.80%		582511 MS7	2031	$ 510,000	3.00%	3.05%	582511 NC1
2022	360,000	5.00	1.92		582511 MT5	2032	525,000	3.00	3.10	582511 ND9
2023	375,000	5.00	2.04		582511 MU2	2033	545,000	3.00	3.15	582511 NE7
2024	395,000	5.00	2.18		582511 MV0	2034	560,000	3.125	3.24	582511 NF4
2025	415,000	3.00	2.32		582511 MW8	2035	575,000	3.125	3.27	582511 NG2
2026	430,000	3.00	2.44		582511 MX6	2036	595,000	3.125	3.30	582511 NH0
2027	440,000	4.00	2.57	c	582511 MY4	2037	615,000	3.25	3.36	582511 NJ6
2028	460,000	4.00	2.66	c	582511 MZ1	2038	635,000	3.25	3.39	582511 NK3
2029	475,000	4.00	2.75	c	582511 NA5	2039	655,000	3.25	3.43	582511 NL1
2030	495,000	3.00	3.00		582511 NB3					

c = Yield to call on June 1, 2026.

$ 2,090,000 3.375% Term Bond Due June 1, 2042 @ 3.500% 582511 NP2
$ 2,310,000 3.375% Term Bond Due June 1, 2045 @ 3.533% 582511 NS6 (1)
$ 1,675,000 3.375% Term Bond Due June 1, 2047 @ 3.550% 582511 NU1

(1) Price 97.250

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

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

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM supplied by BAM and presented under the heading "APPENDIX E – BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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

MCNAIRY COUNTY, TENNESSEE

COUNTY OFFICIALS

Ronnie Brooks	*County Mayor*
Ronnie Price	*County Clerk*
Stanley Mitchell	*County Trustee*
Craig Kennedy	*County Attorney*
Betty Ashe	*Assessor of Property*

BOARD OF COUNTY COMMISSIONERS

Wilburn Ashe
Steve Browder
Neal Burks
Brenda Cauley
Tammy Dillon
Aubrey Harris
Steve Hunter
Keith Jernigan
Jeff Lipford
Kevin Lipford
Greg Martin
David McCullar
Troy Moore
Jim Rickman
Anthony Smith
John Talbott
James Weatherford
Stan Wheeler
Sandy Whitaker
Matt Wood
Carol Ann Woods

UNDERWRITER

Citigroup Global Markets Inc.

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Glankler Brown, PLLC
Memphis, 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*.

The Issuer .... McNairy County, Tennessee (the "County" or "Issuer"). See the section entitled "Supplemental Information Statement" for more information.

Securities Offered.......................... $15,475,000 General Obligation School Bonds, Series 2018 (the "Bonds") of the County, dated the date of delivery March 1, 2018. The Bonds will mature each June 1 beginning June 1, 2021 through June 1, 2039, inclusive, June 1, 2042, June 1, 2045 and June 1, 2047. See the section entitled "SECURITIES OFFERED – Authority and Purpose".

Security.. Both the principal of and interest on this Bond are primarily payable from (a) such portion of the County Schools System's Basic Education Plan funds as may be utilized for such purposes, (b) the County Schools System's local option sales tax revenues received pursuant to T.C.A. Section 67-6-712, and (c) all of its other legally available funding sources, all of which sources of funds have been pledged by the County Board of Education of the School System, individually and on behalf of the County School System, as set forth in the County Board of Education's February 9, 2017 resolution, and further set forth in the Interlocal Agreement, dated April 10, 2017, by among the County, the County Commission, the County School System, and the County Board of Education.

Additionally, the principal of and interest on the Bonds are payable from taxes to be levied upon all taxable property of the County without limitation as to rate or amount. For the prompt payment of both principal and interest on this Bond, the full faith, credit and resources of the County are irrevocably pledged.

Municipal Bond Insurance .... Build America Mutual ("BAM") has issued a commitment to issue a municipal bond insurance policy covering the Bonds. The policy will guarantee the payment when due of principal of and interest on the Bonds. See "APPENDIX E – BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

Purpose .... The Bonds are being issued for the purposes of providing funds for (1) making certain expenditures in support of the Issuer's school system (the "School System") as authorized by and described in Title 49 Chapter 3 Part 10 Section 1004 of the Tennessee Code Annotated, as amended, as follows: (a) to purchase property for school purposes, (b) to purchase sites for school buildings, (c) to erect or repair school buildings, and (d) to furnish and equip school buildings and (2) paying cost of issuance of the Bonds.

Optional Redemption................... The Bonds are subject to optional redemption prior to maturity on or after June 1, 2026, in whole or in part at any time, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".

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

Ratings... S&P: BAM Insured "AA". S&P underlying rating: "A". See the section entitled "MISCELLANEOUS - Rating" for more information.

Underwriter	Citigroup Global Markets Inc.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor; Related Parties; Other", herein.
Bond Counsel	Glankler Brown, PLLC, Memphis, Tennessee.
Book-Entry-Only	The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry System"
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
General	The Bonds are being issued in full compliance with applicable provisions of Title 49, Chapter 3, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."
Other Information	The information in the *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County, or the OFFICIAL STATEMENT, contact Mr. Ronnie Brooks, County Mayor, 170 West Court Ave., Suite 201, Selmer, Tennessee 38375, Telephone: (731) 645-3472; or the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances

	For the Fiscal Year Ended June 30				
	2013	**2014**	**2015**	**2016**	**2017**
Beginning Fund Balance	$ 1,330,609	$ 1,113,748	$1,182,817	$1,059,377	$ 864,854
Revenues	5,606,755	5,801,773	6,089,878	5,862,915	6,829,878
Expenditures	5,889,165	5,734,273	7,770,697	6,083,839	6,650,763
Other Financing Sources:					
Other Loans or Leases Issued	-	-	1,500,000	-	-
Insurance Recovery	47,843	1,569	5,214	8,884	6,175
Transfers In	27,706	-	52,165	27,517	-
Transfers Out	(10,000)	-	-	(10,000)	(10,000)
Ending Fund Balance	**$1,113,748**	**$1,182,817**	**$1,059,377**	**$864,854**	**$1,040,144**

Source: Comprehensive Annual Financial Reports of the County.

$15,475,000
MCNAIRY COUNTY, TENNESSEE
General Obligation School Bonds, Series 2018

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by McNairy County, Tennessee (the "County" or "Issuer") of its $15,475,000 General Obligation School Bonds, Series 2018 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 49, Chapter 3, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the "Resolution") duly adopted by the County Commission of the County on April 10, 2017.

The Bonds are being issued for the purposes of providing funds for (1) making certain expenditures in support of the Issuer's school system (the "School System") as authorized by and described in Title 49 Chapter 3 Part 10 Section 1004 of the Tennessee Code Annotated, as amended, as follows: (a) to purchase property for school purposes, (b) to purchase sites for school buildings, (c) to erect or repair school buildings, and (d) to furnish and equip school buildings, and (2) paying costs of issuance of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery March 1, 2018. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2018. The Bonds are issuable in book-entry only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

Both the principal of and interest on the Bonds are primarily payable from (a) such portion of the County Schools System's Basic Education Plan funds as may be utilized for such purposes, (b) the County Schools System's local option sales tax revenues received pursuant to T.C.A. Section 67-6-712, and (c) all of its other legally available funding sources, all of which sources of funds have been pledged by the County Board of Education of the School System, individually and on behalf of the County School System, as set forth in the County Board of Education's February 9, 2017 resolution, and further set forth in the Interlocal Agreement, dated

April 10, 2017, by among the County, the County Commission, the County School System, and the County Board of Education.

Additionally, the principal of and interest on the Bonds are payable from taxes to be levied upon all taxable property of the County without limitation as to rate or amount. For the prompt payment of both principal and interest on this Bond, the full faith, credit and resources of the County are irrevocably pledged.

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

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

MUNICIPAL BOND INSURANCE

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Build America Mutual Assurance Company. ("BAM"). See “APPENDIX E - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

OPTIONAL REDEMPTION OF THE BONDS

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

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

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

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

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 2042, June 1, 2045 and June 1, 2047 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 in the same manner as is described above relating to optional redemption.

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

Maturity	Redemption Date	Principal Amount of Bonds Redeemed
June 1, 2042	June 1, 2040	$675,000
	June 1, 2041	$695,000
	June 1, 2042*	$720,000
June 1, 2045	June 1, 2043	$745,000
	June 1, 2044	$770,000
	June 1, 2045*	$795,000
June 1, 2047	June 1, 2046	$825,000
	June 1, 2047	$850,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the County may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the County on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The County shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) 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 County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

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

(The remainder of this page left blank intentionally.)

BASIC DOCUMENTATION

REGISTRATION AGENT

The Bond Registration and Paying Agent, Regions Bank, Nashville, Tennessee, its successor (the "Registration Agent") or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described in the following section entitled "Book-Entry-Only System".

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

BOOK-ENTRY-ONLY SYSTEM

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

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners (as herein after defined) of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, as herein after defined, of the Bonds.

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

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Notices. Conveyance of notices and other communications by DTC to Direct

Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County, 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 County, 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 County as follows:

(a) all accrued interest shall be deposited into the Bond Fund of the Issuer and used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;

(b) the Issuer shall pay, or cause to be paid, all costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Registration Agent fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Bonds; and

(c) the balance of the proceeds from the sale of the Bonds shall be deposited with the County Trustee and shall be kept separate and apart from all other funds of the Issuer in a special fund hereby designated as the "McNairy County, Tennessee School Construction Fund" (the "School Construction Fund") which shall be applied exclusively to pay for the new expenditure portions of the Project for the benefit of the School System, and it shall be used for no other purposes. Any Bond proceeds not put to immediate use shall be deposited at interest by the County Trustee until needed. The interest arising therefrom shall be used only towards retiring the Bonds or may be added to Bond proceeds and used for the same purposes. Money in the School 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 amarket value of not less than the amount in the School Construction Fund.

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

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

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

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, 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 County, including, but not limited to, the right to require the County to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

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

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LEGAL MATTERS

LITIGATION

There are no claims against the County, including claims in litigation, which, in the opinion of the County, would materially affect the County's financial position as it relates to its ability to make payments on the Bonds. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds. See the subsection entitled "Closing Certificates" for additional information.

TAX MATTERS

Federal

General. Glankler Brown, PLLC, Memphis, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds:

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

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

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

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

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

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

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AA" (Stable Outlook) to the Bonds with the understanding that upon delivery of the Bonds, a policy guaranteeing the payment when due of the principal of and interest on the Bonds will be issued by Build America Mutual. Such rating reflects only the views of such organization and explanations of the significance of such rating should be obtained from such agency. Additionally, S&P has assigned the Bonds an underlying rating of "A".

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

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on February 7, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated January 31, 2018.

The successful bidder for the Bonds was an account led by Citigroup Global Markets Inc., (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $15,435,897.00 (consisting of the par amount of the Bonds, plus a net reoffering premium of $119,543.25, less an underwriter's discount of $158,646.25 which includes an insurance premium) or 99.747% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

Official 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 County and will be compensated and/or reimbursed for such distribution and other such services.

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

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

ADDITIONAL DEBT

The County has authorized not to exceed $23,225,000 for the school building program of which this issue is the second and final emission of this school building program. Additionally, the County has ongoing projects that could require additional debt in the future.

DEBT LIMITATIONS

Pursuant to Title 49, Chapter 3, Part 10 *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued for school purposes when the County uses the statutory authority granted therein to issue bonds. (see DEBT STRUCTURE - Indebtedness and Debt Ratios for additional information.)

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2018 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The County will provide notice in a timely manner to the MSRB of a failure by the County to provide the Annual Report on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12"). The County is in compliance with the undertakings required under the Rule.

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

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-6;

2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-7 and B-8;

3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as shown on page B-9;

4. The fund balances and retained earnings for the fiscal year as shown on page B-10;

5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-11;

6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-17;

8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-17; and

9. The ten largest taxpayers as shown on page B-18.

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the

occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

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

3. The following are the Listed Events:

    a. Principal and interest payment delinquencies;

    b. Non-payment related defaults, if material;

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

    d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

    g. Modifications to rights of Bondholders, if material;

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

    i. Defeasances;

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

    k. Rating changes;

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

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

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

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

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

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

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

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

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

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CERTIFICATION OF ISSUER

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

/s/ Ronnie Brooks
County Mayor

ATTEST:

/s/ Ronnie Price
County Clerk

APPENDIX A

PROPOSED FORM OF LEGAL OPINION

[LETTERHEAD OF GLANKLER BROWN, PLLC]

March 1, 2018

Board of County Commissioners
of McNairy County, Tennessee
170 West Court Avenue, Suite 201
Selmer, Tennessee 38375

Re: $15,475,000 General Obligation School Bonds, Series 2018 of McNairy County, Tennessee

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by McNairy County, Tennessee (the “County”), of $15,475,000 aggregate principal amount of its General Obligation School Bonds, Series 2018 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

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

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

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in clause (a) above is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to

the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. Except as set forth in this Paragraph 2, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Very truly yours,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

McNairy County (the "County") is located in the southwestern part of Tennessee on the Mississippi-Tennessee state line. The County is bordered by Hardeman County to the west, Chester County to the north, Hardin County to the east and the Mississippi state line to the south. The Town of Selmer (the "Town"), the County seat, is 100 miles east of Memphis, 48 miles south of Jackson and 15 miles from Corinth, Mississippi. According to the 2010 Census, the County has a population of about 26,075 and Selmer has a population of 4,396.

GENERAL

McNairy County, which includes 569 square miles, is predominately agricultural with farms comprising approximately 41 percent of its land area. The principal crops grown in the county include cotton, corn, oats, hay and apples. Livestock sales and milk production make significant contributions to farm incomes.

TRANSPORTATION

Rail service is provided by the West Tennessee Railway. The principal highways in the County are US Highways 45 and 64 and State Highways 22, 57 and 142. Interstate 40 is located 40 miles away in Madison County. The nearest navigable waterway is located 20 miles away at the TomBigBee port on the Tennessee River. The community air service is provided by the Robert Sibley Field Airport, located in Selmer, has an asphalt runway 5,000 feet in length. The nearest commercial airport, the McKellar-Sipes Regional Airport, is located in Jackson, 48 miles away.

EDUCATION

The *McNairy County School System* includes eight schools, of which there are five elementary school, one middle school and two high schools with one adult education facility. The fall 2016 enrollment was 4,285 with 340 teachers.

Source: Tennessee Department of Education.

University of Tennessee at Martin Selmer Campus. The campus at Selmer offers a full two-year rotation plan of general education courses. The University of Tennessee at Martin was founded in 1900 as Hall-Moody Institute. Fall semester 2016 had 6,682 students enrolled for at UT Martin. There are 4 satellite campuses in addition to the main campus in Weakley County: Jackson (Madison County), Parsons (Decatur County), Ripley (Lauderdale County) and Selmer (McNairy County). More than $70 million in capital improvement and renovation projects have been completed at UT Martin.

Source: University of Tennessee at Martin and TN Higher Education Commission.

The *Tennessee Technology Center at Crump* located nearby in Hardin County 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 Crump serves the southwest region of the state including Hardin, McNairy and Decatur Counties. The Technology Center at Crump began operations in 1965, and is located on an 18-acre tract of land on Highway 64 in Hardin County. Fall 2015 enrollment was 483 students.

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

HEALTHCARE

The County's only hospital, McNairy Regional Hospital, closed in May of 2016 due to the steady decline in admissions. However, the two hospitals in nearby Jackson, TN (about 40 miles away) serve as the region's center for healthcare.

Jackson-Madison Co. General Hospital. Jackson-Madison Co. General Hospital (the "General Hospital) is the flagship of West Tennessee Healthcare. The facility is a 642-bed tertiary care center that is the only tertiary care hospital between Memphis and Nashville. The hospital serves a 17-county area of rural West Tennessee. Approximately 400,000 persons reside within the service area. General Hospital offers the West Tennessee Heart and Vascular Center, Kirkland Cancer Center, West Tennessee Women's Center, West Tennessee Rehabilitation Center, West Tennessee Neuroscience and Spine Center, and Emergency Services. General Hospital offers the only open heart surgery program in rural West Tennessee. Jackson-Madison County General Hospital is fully accredited by The Joint Commission.

West Tennessee Healthcare is a not-for-profit organization. Totally self-supporting, without need for local tax support, all revenues generated provide for overhead costs including employee expense, debt service, purchase of technology, renovation, expansion, creation of new services, and, most importantly, maintaining the low-cost structure. West Tennessee Healthcare operates 4 hospitals. Approximately 5,000 employees make up West Tennessee Healthcare, the majority of whom staff Jackson-Madison County General Hospital.

Source: Jackson-Madison Co. General Hospital.

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

Tennova Healthcare was acquired by of one of the largest for-profit hospital companies in the country, Community Health Systems, Inc. (the "CHS"). CHS is one of the nation's leading operators of general acute care hospitals based in Brentwood, TN. The organization's affiliates own, operate or lease 127 hospitals in 20 states with approximately 21,000 licensed beds. There are sixteen CHS hospitals in Tennessee.

Source: Community Health Systems.

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MANUFACTURING AND COMMERCE

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

Company	Product	Employees
McNairy Regional Hospital	Healthcare	225
Monogram Refrigeration Inc.	Air Conditioning & Heating Equipment	175
Spectrum Lubricants Corp.	Lubricating Oils & Greases	172
United Stainless	Stainless Steel Pipe	145
Ripley Industries	Metal Strainers-Automotive	130
General Electric	Switchgears	125
Jones' Exhaust System	Exhaust Systems	85
SMC Recycling	Scrap Metal Processing	78
Connector Castings	Connectors	70
Sparks Custom Fabrication	Fabricated Metal Products	70
Yachad LLC	Art Supplies	45
Owl Creek Lumber	Wood Shipping Products	35

Source: McNairy Regional Alliance, and West Tennessee Industrial Association - 2016.

EMPLOYMENT INFORMATION

The unemployment rate for the County as of November 2017 was 4.9%, representing 8,440 persons employed in a total labor force of 8,870 persons. The chart on the following page shows employment trends from 2012 through year to date 2016.

McNairy County Unemployment

	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	8.2%	6.7%	5.8%	4.8%
McNairy County	**9.7%**	**11.2%**	**10.6%**	**8.7%**	**7.1%**
Index vs. National	120	151	171	164	145
Index vs. State	121	137	158	150	148

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

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ECONOMIC DATA

Per Capita Personal Income

	2011	2012	2013	2014	2015
National	$42,453	$44,267	$44,462	$46,414	$48,112
Tennessee	$37,452	$38,771	$38,806	$40,233	$42,094
McNairy County	**$27,209**	**$28,080**	**$27,788**	**$28,214**	**$29,105**
Index vs. National	64	63	62	61	60
Index vs. State	73	72	72	70	69

Source: Bureau of Economic Analysis.

Social and Economic Characteristics

	National	Tennessee	McNairy County
Median Value Owner Occupied Housing	$184,700	$146,000	$85,400
% High School Graduates or Higher Persons 25 Years Old and Older	87.0%	86.0%	80.7%
% Persons with Income Below Poverty Level	12.7%	15.8%	22.0%
Median Household Income	$55,322	$46,574	$31,956

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

RECREATION

Big Hill State Park. Big Hill State Park is located in nearby McNairy County about 18 miles south of Selmer. The park encompasses 4,500 acres of magnificent timberland and hardwood bottom land. The flood plain adjacent to both the Tuscumbia River and Cypress Creek contains small oxbow lakes and swamp areas which are desirable habitat for waterfowl, wildlife and fishing. The Observation Tower, 70 feet tall, is a refurbished fire tower that offers a panoramic view of Travis McNatt Lake and Dismal Swamp Civil War Earthworks. The park takes its name from a 35-acre pond created by a barren area used for dirt to help construct a railroad levee across the Cypress and Tuscumbia Bottoms for the Memphis to Charleston Railroad in 1853. Over the years, a great stand of cypress trees has grown in and around the 35-acre pond.

Source: Tennessee State Parks.

Buford Pusser Home and Museum. Buford Pusser led a violent but successful campaign against local crime figures. His unusual methods of law enforcement earned him notoriety. The man became the target of many assassination attempts, one of which took the life of his wife and left him scarred. The man eventually became the subject of three major motion pictures telling about his intriguing life and tragic death. The Buford Pusser Home and Museum, located in Adamsville in McNairy County, is the real home, furnishings, and memorabilia of the late Buford Pusser. Near the Museum is the Buford Pusser Park and playground.

McNairy County Historical Museum. The historic Ritz Theater Building provides the perfect showplace to display items of the county's history. The Museum has a unique layout with a large center gallery that displays various aspects of life in the early McNairy County. There are seven side rooms that offer a different way of viewing the history of the county. There is the School Room, the Civil War Room, the Church Room, the Healing Arts Room, and the Business and Agriculture Rooms.

RECENT DEVELOPMENTS

Masco Corporation. Located in Adamsville, the 41-year-old plant closed its facility at the end of 2013. About 200 jobs were lost. The plant closed due to the down economy and a decrease in sales volume. The company is one of the world's largest manufacturers of brand-name consumer products for the home and family, including Behr paint; Delta and Hansgrohe faucets, bath and shower fixtures; KraftMaid and Merillat cabinets; and Milgard windows and doors

Strata Solar, LLC. Working with TVA and Pickwick Electric Cooperative, Strata Solar is developing the two largest solar energy installations in the TVA region near Selmer. Planned construction, which finished in late 2014, includes building and maintaining two 20-megawatt solar farms. These solar farms will be interconnected to the TVA power system through Pickwick Electric Coop. TVA will buy the electricity at market rates under its renewable standard offer program. The two installations, which will each be four times the size of the University of Tennessee five-megawatt farm in Haywood County, could generate enough electricity in one year to power 4,000 average homes in the Tennessee Valley. The facility was completed was in 2015. The farms will have more than 160,000 solar panels installed on over 300 acres. Strata Solar, based in Chapel Hill, North Carolina, is an integrated solar energy company that owns and operated commercial and utility scale solar energy systems. The solar firm has current projects in California, Massachusetts, Virginia, Georgia and North Carolina. After completion, the farm needs 6-10 employees.

Source: The Jackson Sun Fact Book and The Commercial Appeal.

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McNAIRY COUNTY, TENNESSEE

Summary of Bonded Indebtedness

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2017 (1) OUTSTANDING
$ 325,000	Rural Development Loan, Series 2002 (Adult Education)	June. 2022	Fixed	$ 110,062
217,750	Rural Development Loan, Series 2002 (Ag Extension)	May. 2022	Fixed	74,748
6,535,000	General Obligation Refunding Bonds, Series 2008	June 2019	Fixed	985,000
55,000	Capital Outlay Note, Series 2012 (911)	April 2021	Fixed	24,445
201,560	Capital Outlay Note, Series 2012 (Latta Building)	November 2021	Fixed	111,961
1,500,000	Capital Outlay Note, Series 2015 (County Office)	March 2027	Fixed	1,250,000
340,000	Capital Outlay Note, Series 2017	April 2026	Fixed	340,000
7,750,000	General Obligation School Bonds, Series 2017	June 2046	Fixed	7,750,000
176,382	Capital Outlay Note, Series 2017 (Closed 12-01-2017)	June 2020	Fixed	176,382
$ 17,100,692	**EXISTING BONDED DEBT**			$ 10,822,596
$ 15,475,000	General Obligation School Bonds, Series 2018	June 2047	Fixed	$ 15,475,000
$ 32,575,692	**NET BONDED DEBT**			$ 26,297,596

NOTES:

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

McNAIRY COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following is based upon information derived in part from the CAFR. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Years Ended June 30					After Issuance
INDEBTEDNESS	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
TAX SUPPORTED						
General Obligation Bonds & Notes	$7,295,569	$8,254,431	$8,067,824	$8,055,043	$10,646,215	$26,297,596
TOTAL TAX SUPPORTED	$7,295,569	$8,254,431	$8,067,824	$8,055,043	$10,646,215	$26,297,596
TOTAL DEBT	$7,295,569	$8,254,431	$8,067,824	$8,055,043	$10,646,215	$26,297,596
Less: Revenue Supported Debt	$0	$0	$0	$0	$0	$0
Less: Debt Service Funds	(3,845,977)	(3,947,599)	(4,024,868)	(3,901,030)	(3,847,355)	(3,847,355)
NET DIRECT DEBT	$3,449,592	$4,306,832	$4,042,956	$4,154,013	$6,798,860	$22,450,241
PROPERTY TAX BASE						
Estimated Actual Value	$1,377,720,920	$1,397,627,211	$1,404,153,437	$1,491,857,186	$1,502,191,676	$1,502,191,676
Appraised Value	1,377,720,920	1,397,627,211	1,404,153,437	1,422,784,198	1,502,191,676	1,502,191,676
Assessed Value	392,522,859	399,181,128	401,536,214	410,093,970	430,846,906	430,846,906

	For Fiscal Years Ended June 30					After Issuance
DEBT RATIOS	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
TOTAL DEBT to Estimated Actual Value	0.53%	0.59%	0.57%	0.54%	0.71%	1.75%
TOTAL DEBT to Appraised Value	0.53%	0.59%	0.57%	0.57%	0.71%	1.75%
TOTAL DEBT to Assessed Value	1.86%	2.07%	2.01%	1.96%	2.47%	6.10%
NET DIRECT DEBT to Estimated Actual Value	0.25%	0.31%	0.29%	0.28%	0.45%	1.49%
NET DIRECT DEBT to Appraised Value	0.25%	0.31%	0.29%	0.29%	0.45%	1.49%
NET DIRECT DEBT to Assessed Value	0.88%	1.08%	1.01%	1.01%	1.58%	5.21%
PER CAPITA RATIOS						
POPULATION (1)	26,140	26,267	26,066	25,935	25,935	25,935
PER CAPITA PERSONAL INCOME (2)	$27,788	$28,214	$29,105	$29,105	$29,105	$29,105
Estimated Actual Value to POPULATION	$52,705	$53,208	$53,869	$57,523	$57,921	$57,921
Assessed Value to POPULATION	$15,016	$15,197	$15,405	$15,812	$16,613	$16,613
Total Debt to POPULATION	$279	$314	$310	$311	$410	$1,014
Net Direct Debt to POPULATION	$132	$164	$155	$160	$262	$866
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.00%	1.11%	1.06%	1.07%	1.41%	3.48%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.47%	0.58%	0.53%	0.55%	0.90%	2.97%

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

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

MCNAIRY COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended 6/30	Existing Bond Debt (1) As of December 01, 2017			General Obligation School Bonds, Series 2018			% 2018 Principal Repaid	Total Bonded Debt Service Requirements			% All Principal Repaid
	Principal	Interest	Total	Principal	Interest (2)	Total		Principal	Interest	Total	
2018	$ 1,547,275	$ 277,472	$ 1,824,747	$ -	$ 134,277	$ 134,277	0.00%	$ 1,547,275	$ 411,749	$ 1,959,024	5.88%
2019	1,335,138	243,313	1,578,452	-	537,106	537,106		1,335,138	780,420	2,115,558	
2020	660,015	203,974	863,989	-	537,106	537,106		660,015	741,080	1,401,096	
2021	471,632	190,186	661,819	340,000	537,106	877,106		811,632	727,293	1,538,925	
2022	372,425	181,777	554,202	360,000	520,106	880,106	4.52%	732,425	701,884	1,434,308	19.34%
2023	332,778	175,330	508,108	375,000	502,106	877,106		707,778	677,437	1,385,215	
2024	337,778	170,767	508,545	395,000	483,356	878,356		732,778	654,123	1,386,901	
2025	342,778	165,228	508,006	415,000	463,606	878,606		757,778	628,835	1,386,612	
2026	347,778	159,565	507,343	430,000	451,156	881,156		777,778	610,721	1,388,499	
2027	315,000	154,331	469,331	440,000	438,256	878,256	17.80%	755,000	592,588	1,347,588	33.53%
2028	190,000	150,151	340,151	460,000	420,656	880,656		650,000	570,808	1,220,808	
2029	195,000	145,781	340,781	475,000	402,256	877,256		670,000	548,038	1,218,038	
2030	200,000	141,296	341,296	495,000	383,256	878,256		695,000	524,553	1,219,553	
2031	205,000	136,196	341,196	510,000	368,406	878,406		715,000	504,603	1,219,603	
2032	210,000	130,969	340,969	525,000	353,106	878,106	33.73%	735,000	484,075	1,219,075	46.71%
2033	215,000	125,509	340,509	545,000	337,356	882,356		760,000	462,865	1,222,865	
2034	225,000	119,059	344,059	560,000	321,006	881,006		785,000	440,065	1,225,065	
2035	230,000	112,309	342,309	575,000	303,506	878,506		805,000	415,815	1,220,815	
2036	240,000	105,409	345,409	595,000	285,538	880,538		835,000	390,946	1,225,946	
2037	245,000	97,849	342,849	615,000	266,944	881,944	52.41%	860,000	364,793	1,224,793	62.09%
2038	250,000	90,131	340,131	635,000	246,956	881,956		885,000	337,088	1,222,088	
2039	260,000	81,381	341,381	655,000	226,319	881,319		915,000	307,700	1,222,700	
2040	270,000	72,281	342,281	675,000	205,031	880,031		945,000	277,313	1,222,313	
2041	280,000	63,169	343,169	695,000	182,250	877,250		975,000	245,419	1,220,419	
2042	285,000	53,719	338,719	720,000	158,794	878,794	74.25%	1,005,000	212,513	1,217,513	80.06%
2043	300,000	44,100	344,100	745,000	134,494	879,494		1,045,000	178,594	1,223,594	
2044	310,000	33,600	343,600	770,000	109,350	879,350		1,080,000	142,950	1,222,950	
2045	320,000	22,750	342,750	795,000	83,363	878,363		1,115,000	106,113	1,221,113	
2046	330,000	11,550	341,550	825,000	56,531	881,531		1,155,000	68,081	1,223,081	
2047	-	-	-	850,000	28,688	878,688	100.00%	850,000	28,688	878,688	100.00%
	$ 10,822,596	$ 3,659,154	$ 14,481,751	$ 15,475,000	$ 9,477,989	$ 24,952,989		$ 26,297,596	$13,137,144	$ 39,434,740	

NOTES:

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

(2) Average Coupon 3.35671%.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30				
Fund Type	**2013**	**2014**	**2015**	**2016**	**2017**
Governmental Funds:					
General	$1,113,748	$1,182,817	$1,059,377	$ 864,854	$1,040,144
Solid Waste/Sanitation	705,395	730,352	840,115	837,817	861,614
Highway/Public Works	629,846	552,205	417,520	654,809	843,002
General Debt Service	3,845,977	3,947,599	4,024,868	3,901,030	3,847,355
Other Governmental	172,462	217,627	175,596	168,362	262,086
Total	**$6,467,428**	**$6,630,600**	**$6,517,476**	**$6,426,872**	**$6,854,201**

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

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McNAIRY COUNTY, TENNESSEE

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

	2013	2014	2015	2016	2017
Revenues:					
Local Taxes	$ 3,244,441	$ 3,528,764	$ 3,599,352	$ 3,664,196	$ 4,039,168
Licenses and Permits	16,920	17,745	16,347	18,599	17,761
Fines, forfeitures and penalties	123,251	123,802	90,979	100,227	90,090
Charges for current services	42,116	43,891	40,264	27,007	45,498
Other local revenue	102,854	33,545	38,447	18,815	33,215
Fees Received from County Officials	884,716	883,623	836,869	874,883	879,776
State of Tennessee	612,161	857,833	823,540	836,300	658,546
Federal Government	580,296	312,570	644,080	322,888	1,065,824
Other Gov'ts & Citizens Groups	-	-	-	-	-
Total Revenues	$ 5,606,755	$ 5,801,773	$ 6,089,878	$ 5,862,915	$ 6,829,878
Expenditures:					
General government	$ 740,526	$ 713,075	$ 851,987	$ 1,021,632	$ 826,365
Finance	498,142	505,962	519,722	539,391	531,617
Administration of Justice	505,593	527,322	559,629	537,201	562,850
Public Safety	2,506,716	2,122,281	2,113,696	2,120,986	2,098,134
Public Health & Welfare	145,432	167,720	182,058	180,863	226,579
Social, Cultural, & Recreational Services	166,408	130,119	126,539	115,074	127,169
Agricultural & Natural Resources	106,000	157,661	127,065	128,801	132,856
Other Operations	1,220,348	1,370,614	1,750,483	1,439,891	2,145,193
Highways	-	-	-	-	-
Debt Service	-	39,519	39,518	-	-
Capital Projects	-	-	1,500,000	-	-
Total Expenditures	$ 5,889,165	$ 5,734,273	$ 7,770,697	$ 6,083,839	$ 6,650,763
Excess (Deficiency) of Revenues					
Over Expenditures	$ (282,410)	$ 67,500	$ (1,680,819)	$ (220,924)	$ 179,115
Other Sources and Uses:					
Note/Lease Proceeds	$ -	$ -	$ 1,500,000	$ -	$ -
Insurance Recovery	47,843	1,569	5,214	8,884	6,175
Other Loans Issued	-	-	-	-	-
Operating Transfers - In	27,706	-	52,165	27,517	-
Operating Transfers - Out	(10,000)	-	-	(10,000)	(10,000)
Total Sources & Uses	$ 65,549	$ 1,569	$ 1,557,379	$ 26,401	$ (3,825)
Net Change if Fund Balance	$ (216,861)	$ 69,069	$ (123,440)	$ (194,523)	$ 175,290
Fund Balance July 1	1,330,609	1,113,748	1,182,817	1,059,377	864,854
Residual Equity Transfers/Adjustments	-	-	-	-	-
Fund Balance June 30	**$ 1,113,748**	**$ 1,182,817**	**$ 1,059,377**	**$ 864,854**	**$ 1,040,144**

Source: Comprehensive Annual Financial Reports for McNairy County, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2016[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Actual Value
Public Utilities	$ 58,555,008	55%	$ 134,146,639
Commercial and Industrial	68,976,332	40%	172,440,831
Personal Tangible Property	26,543,841	30%	88,517,306
Residential and Farm	276,771,725	25%	1,107,086,900
Total	**$430,846,906**		**$1,502,191,676**

Source: The 2016 Tax Aggregate Report of Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2017 (tax year 2016) is $430,846,906 compared to $410,093,970 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is $1,502,191,676 compared to $1,491,857,186 for tax year 2015.

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

PROPERTY TAX RATES AND COLLECTIONS				**Fiscal Yr Collections**		**Aggregate Uncollected Balance**	
Tax Year[1]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**As of June 30, 2017 Amount**	**Pct**
2013	$399,181,128	$ 2.09	$8,321,727	$7,897,565	94.9%	N/A	
2014	401,536,214	2.09	7,323,002	7,030,082	96.0%	N/A	
2015	410,093,970	2.09	7,395,093	7,148,678	96.7%	N/A	
2016	430,846,906	2.0064	7,470,074	7,096,570	95.0%	$373,504	5.0%
2017	437,103,498	2.0464	8,946,721	**IN PROCESS**			

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

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

	Taxpayer	**Business Type**	**Taxes Levied**
1.	Pickwick Electric Coop	Utility	$ 623,146
2.	Tennessee Gas Pipeline	Utility	138,559
3.	Phillips 66 Spectrum Corp.	Distribution	95,451
4.	United Stainless	Manufacturing	95,062
5.	Norfolk Southern – IC Br.	Rail	89,828
6.	General Electric Co.	Manufacturing	67,000
7.	Norfolk Southern -Memphis	Rail	63,813
8.	AT&T Mobility, LLC	Telecommunications	51,797
9.	Citigroup / Capital Finance	Finance	48,847
10.	Monogram Refrigeration	Manufacturing	46,690
	TOTAL		**$1,320,193**

Source: The County.

PENSION PLANS

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

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

APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

MCNAIRY COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

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

Annual Financial Report

McNairy County, Tennessee

For the Year Ended June 30, 2017

Tennessee Comptroller of the Treasury

Division of Local Government Audit

ANNUAL FINANCIAL REPORT

McNAIRY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2017

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

LEE ANN WEST, CPA, CGFM
Audit Manager

VICKY BARBER, CFE
TWYLA PRATT
State Auditors

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

McNAIRY COUNTY, TENNESSEE
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Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- The office had deficiencies in budget operations.

OFFICES OF COUNTY MAYOR AND SHERIFF

- Accrued vacation leave balances exceeded the maximum balance provided by the county's personnel policy.

OFFICE OF DIRECTOR OF SCHOOLS

- The director of schools had not formally documented internal controls.
- The purchasing software used by the central office did not have adequate application controls.
- Documents could be generated from the software test environment without being marked as invalid.

Summary of Audit Findings

OFFICE OF SHERIFF

- The office had accounting deficiencies.
- The office did not deposit some funds within three days of collection.
- Duties were not segregated adequately.
- A theft occurred at the Sheriff's Department and was not reported to the Comptroller of the Treasury in a timely manner.

INTRODUCTORY SECTION

McNairy County Officials
June 30, 2017

Officials

Ronnie Brooks, County Mayor
Harvey Neal Smith, Highway Commissioner
Wayne Henry, Director of Schools
Stanley Mitchell, Trustee
Brandon Moore, Assessor of Property
Ronnie Price, County Clerk
Byron Maxedon, Circuit and General Sessions Courts Clerk
Kim Boals, Clerk and Master
Brian Dickey, Register of Deeds
Guy Buck, Sheriff

Board of County Commissioners

Ronnie Brooks, County Mayor, Chairman
Wilburn Gene Ashe
Steve Browder
Neal Burks
Brenda Cauley
Tammy Dillon
Aubrey Harris
Steve Hunter
Keith Jernigan
Jeff Lipford
Kevin Lipford
Gregory Martin
David McCullar
Troy Moore
Jim Rickman
Anthony Smith
John Talbott
James Weatherford
Stan Wheeler
Sandy Whitaker
Matthew Wood
Carol Ann Woods

Board of Education

Jarrell Stanfield, Chairman
Lynn Baker
Jay Hendrix
Jean Jones
Mark Massey
Brian Rowsey
Ricky Whitaker

Audit Committee

George Donaldson, Chairman
Wilburn Gene Ashe
Billy Brown
Troy Moore
Jim Rickman
Tommy Ross

FINANCIAL SECTION

TENNESSEE COMPTROLLER OF THE TREASURY

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McNairy County Airport Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McNairy County Airport Authority, is based solely on the report of the other auditors. We were unable to determine McNairy County Airport Authority's percentage of the net position of the aggregate discretely presented component units because the McNairy County Emergency Communications District, a component unit requiring discrete presentation, was not included in the county's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension asset and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension assets, and schedule of funding progress - other postemployment benefits plans on pages 88-95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of McNairy County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McNairy County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNairy County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 27, 2017

JPW/kp

Basic Financial Statements

Exhibit A

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

	Primary Government Governmental Activities	Component Units McNairy County School Department	Component Units McNairy County Airport Authority
ASSETS			
Cash	$ 764	$ 0	$ 131,860
Equity in Pooled Cash and Investments	6,662,076	7,488,980	0
Inventories	0	0	4,309
Accounts Receivable	2,352,308	971	632
Allowance for Uncollectibles	(883,555)	0	0
Due from Other Governments	1,513,096	570,587	323,110
Property Taxes Receivable	5,116,995	4,095,220	0
Allowance for Uncollectible Property Taxes	(279,277)	(229,049)	0
Prepaid Items	2,343	0	2,324
Net Pension Asset - Agent Plan	285,384	392,006	0
Net Pension Asset - Teacher Retirement Plan	0	23,589	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,140,327	1,286,479	91,331
Construction in Progress	0	200,350	402,375
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,281,331	10,171,971	124,283
Infrastructure	4,406,897	0	3,825,292
Other Capital Assets	1,209,777	2,217,358	30,113
Total Assets	$ 24,808,466	$ 26,218,462	$ 4,935,629
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	$ 35,029	$ 0	$ 0
Pension Changes in Experience	0	119,877	0
Pension Changes in Investment Earnings	232,458	3,442,970	0
Pension Other Deferrals	0	144,883	0
Pension Contributions after Measurement Date	175,900	1,726,795	0
Total Deferred Outflows of Resources	$ 443,387	$ 5,434,525	$ 0
LIABILITIES			
Accounts Payable	$ 168,318	$ 0	$ 359,416
Payroll Deductions Payable	10,740	23,227	0
Contracts Payable	936,443	0	0
Accrued Interest Payable	25,438	0	0
Other Current Liabilities	0	0	26,892
Noncurrent Liabilities:			
Due Within One Year	1,559,458	0	0
Due in More Than One Year	9,835,760	3,878,926	0
Total Liabilities	$ 12,536,157	$ 3,902,153	$ 386,308
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	$ 4,672,279	$ 3,726,661	$ 0
Pension Changes in Experience	205,760	3,668,247	0
Pension Other Deferrals	0	40,293	0
Total Deferred Inflows of Resources	$ 4,878,039	$ 7,435,201	$ 0

(Continued)

Exhibit A

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

	Primary Government	Component Units	
	Governmental Activities	McNairy County School Department	McNairy County Airport Authority
NET POSITION			
Net Investment in Capital Assets	$ 7,738,258	$ 13,876,158	$ 4,473,394
Restricted for:			
General Government	79,965	0	0
Finance	15,391	0	0
Administration of Justice	74,468	0	0
Public Safety	178,893	0	0
Social, Cultural, and Recreational Services	5,589	0	0
Agriculture and Natural Resources	0	0	0
Highway/Public Works	526,049	0	0
Education	0	152,449	0
Operation of Non-instructional Services	0	967,416	0
Capital Outlay	60,305	4,077,770	24,012
Debt Service	3,486,983	0	0
Pensions	285,384	415,595	0
Unrestricted	(4,613,628)	826,245	51,915
Total Net Position	$ 7,837,657	$ 20,315,633	$ 4,549,321

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

Exhibit B

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	McNairy County Airport Authority
Primary Government:							
Governmental Activities:							
General Government	$ 1,849,014	$ 288,316	$ 17,255	$ 0	$ (1,543,443)	$ 0	$ 0
Finance	707,675	490,271	0	0	(217,404)	0	0
Administration of Justice	731,074	415,037	9,000	0	(307,037)	0	0
Public Safety	3,232,522	467,965	12,072	540,824	(2,211,661)	0	0
Public Health and Welfare	2,009,681	1,085,506	210,004	525,000	(189,171)	0	0
Social, Cultural, and Recreational Services	159,616	6,986	0	0	(152,630)	0	0
Agriculture and Natural Resources	174,597	0	18,667	0	(155,930)	0	0
Highways/Public Works	3,319,525	7,305	1,962,675	1,279,506	(70,039)	0	0
Education	4,180,642	0	0	0	(4,180,642)	0	0
Interest on Long-term Debt	180,902	0	99,825	0	(81,077)	0	0
Total Primary Government	$ 16,545,248	$ 2,761,386	$ 2,329,498	$ 2,345,330	$ (9,109,034)	$ 0	$ 0
Component Units:							
McNairy County School Department	$ 36,410,519	$ 355,740	$ 4,967,124	$ 4,189,142	$ 0	$ (26,898,513)	$ 0
McNairy County Airport Authority	388,817	128,612	74,257	376,415	0	0	190,467
Total Component Units	$ 36,799,336	$ 484,352	$ 5,041,381	$ 4,565,557	$ 0	$ (26,898,513)	$ 190,467

(Continued)

Exhibit B

McNairy County, Tennessee
Statement of Activities (Cont.)

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues			Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	McNairy County Airport Authority
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					$ 3,829,560	$ 4,007,342	$ 0
Property Taxes Levied for Debt Service					903,683	0	0
Local Option Sales Taxes					222,568	1,985,369	0
Litigation Tax					91,729	0	0
Business Tax					163,260	0	0
Wholesale Beer Tax					22,952	0	0
Other Local Taxes					7,395	2,358	0
Grants and Contributions Not Restricted to Specific Programs					1,644,244	26,431,134	0
Unrestricted Investment Income					31,435	0	40
Miscellaneous					9,525	113,917	0
Total General Revenues					$ 6,926,351	$ 32,540,120	$ 40
Change in Net Position					$ (2,182,683)	$ 5,641,607	$ 190,507
Net Position, July 1, 2016					10,020,340	14,674,026	4,358,814
Net Position, June 30, 2017					$ 7,837,657	$ 20,315,633	$ 4,549,321

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS						
Cash	$ 0	$ 0	$ 0	$ 0	$ 764	$ 764
Equity in Pooled Cash and Investments	947,752	901,071	713,743	3,844,107	255,403	6,662,076
Accounts Receivable	806	2,350,306	67	1,129	0	2,352,308
Allowance for Uncollectibles	0	(883,555)	0	0	0	(883,555)
Due from Other Governments	271,086	0	1,242,010	0	0	1,513,096
Due from Other Funds	764	0	0	0	10,000	10,764
Property Taxes Receivable	3,896,137	0	377,412	843,446	0	5,116,995
Allowance for Uncollectible Property Taxes	(209,030)	0	(21,075)	(49,172)	0	(279,277)
Prepaid Items	2,343	0	0	0	0	2,343
Total Assets	$ 4,909,858	$ 2,367,822	$ 2,312,157	$ 4,639,510	$ 266,167	$ 14,495,514
LIABILITIES						
Accounts Payable	$ 90,173	$ 74,828	$ 0	$ 0	$ 3,317	$ 168,318
Payroll Deductions Payable	9,646	381	713	0	0	10,740
Contracts Payable	0	0	936,443	0	0	936,443
Due to Other Funds	10,000	0	0	0	764	10,764
Total Liabilities	$ 109,819	$ 75,209	$ 937,156	$ 0	$ 4,081	$ 1,126,265
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 3,565,774	$ 0	$ 343,525	$ 762,980	$ 0	$ 4,672,279
Deferred Delinquent Property Taxes	113,116	0	11,944	29,175	0	154,235
Other Deferred/Unavailable Revenue	81,005	1,430,999	176,530	0	0	1,688,534
Total Deferred Inflows of Resources	$ 3,759,895	$ 1,430,999	$ 531,999	$ 792,155	$ 0	$ 6,515,048

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
FUND BALANCES	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Nonspendable:						
Prepaid Items	$ 2,343	$ 0	$ 0	$ 0	$ 0	$ 2,343
Restricted:						
Restricted for General Government	44,658	0	0	0	32,964	77,622
Restricted for Finance	15,391	0	0	0	0	15,391
Restricted for Administration of Justice	74,468	0	0	0	0	74,468
Restricted for Public Safety	93,221	0	0	0	85,672	178,893
Restricted for Social, Cultural, and Recreational Services	0	0	0	0	5,589	5,589
Restricted for Highways/Public Works	0	0	484,639	0	0	484,639
Restricted for Capital Outlay	0	0	0	0	60,305	60,305
Restricted for Debt Service	0	0	0	3,448,217	0	3,448,217
Committed:						
Committed for General Government	176,644	0	0	0	64,679	241,323
Committed for Public Health and Welfare	0	861,614	0	0	0	861,614
Committed for Agriculture and Natural Resources	0	0	0	0	12,877	12,877
Committed for Highways/Public Works	0	0	358,363	0	0	358,363
Committed for Debt Service	0	0	0	399,138	0	399,138
Committed for Capital Projects	110,935	0	0	0	0	110,935
Assigned:						
Assigned for Administration of Justice	50	0	0	0	0	50
Unassigned	522,434	0	0	0	0	522,434
Total Fund Balances	$ 1,040,144	$ 861,614	$ 843,002	$ 3,847,355	$ 262,086	$ 6,854,201
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,909,858	$ 2,367,822	$ 2,312,157	$ 4,639,510	$ 266,167	$ 14,495,514

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

Exhibit C-2

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

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 6,854,201
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,140,327	
Add: buildings and improvements net of accumulated depreciation	3,281,331	
Add: infrastructure net of accumulated depreciation	4,406,897	
Add: other capital assets net of accumulated depreciation	1,209,777	10,038,332
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	$ (1,726,406)	
Less: capital leases payable	(3,576)	
Less: bonds payable	(8,919,276)	
Less: unamortized premium on debt	(44,470)	
Add: deferred amount on refunding	35,029	
Less: compensated absences payable	(121,466)	
Less: landfill closure/postclosure care costs	(511,024)	
Less: other postemployment benefits liability	(69,000)	
Less: accrued interest on notes and bonds	(25,438)	(11,385,627)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	$ 408,358	
Less: deferred inflows of resources related to pensions	(205,760)	202,598
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		285,384
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		1,842,769
Net position of governmental activities (Exhibit A)		$ 7,837,657

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

Exhibit C-3

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

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
Revenues					
Local Taxes	$ 4,039,168	$ 1,105	$ 383,199	$ 927,182	$ 0
Licenses and Permits	17,761	0	0	0	0
Fines, Forfeitures, and Penalties	90,090	0	0	0	0
Charges for Current Services	45,498	904,896	0	0	0
Other Local Revenues	33,215	48,115	11,375	56,669	0
Fees Received From County Officials	879,776	0	0	0	0
State of Tennessee	658,546	285,013	3,253,130	0	0
Federal Government	1,065,824	0	0	0	0
Other Governments and Citizens Groups	0	2,280	43,190	1,354,884	0
Total Revenues	$ 6,829,878	$ 1,241,409	$ 3,690,894	$ 2,338,735	$ 0
Expenditures					
Current:					
General Government	$ 826,365	$ 0	$ 0	$ 0	$ 0
Finance	531,617	0	0	0	0
Administration of Justice	562,850	0	0	0	0
Public Safety	2,098,134	0	0	0	0
Public Health and Welfare	226,579	1,120,899	0	0	0
Social, Cultural, and Recreational Services	127,169	0	0	0	0
Agriculture and Natural Resources	132,856	0	0	0	0
Other Operations	2,145,193	47,641	0	0	0
Highways	0	49,072	3,486,195	0	0
Debt Service:					
Principal on Debt	0	0	25,000	2,153,312	0
Interest on Debt	0	0	835	219,499	0
Other Debt Service	0	0	246	122,029	120,449

(Continued)

Exhibit C-3

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

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
Expenditures (Cont.)					
Capital Projects	$ 0	$ 0	$ 0	$ 0	$ 4,180,642
Total Expenditures	$ 6,650,763	$ 1,217,612	$ 3,512,276	$ 2,494,840	$ 4,301,091
Excess (Deficiency) of Revenues Over Expenditures	$ 179,115	$ 23,797	$ 178,618	$ (156,105)	$ (4,301,091)
Other Financing Sources (Uses)					
Bonds Issued	$ 0	$ 0	$ 0	$ 0	$ 4,295,000
Notes Issued	0	0	0	0	0
Refunding Debt Issued	0	0	0	3,455,000	0
Premiums on Debt Sold	0	0	0	28,508	6,091
Insurance Recovery	6,175	0	9,575	0	0
Transfers In	0	0	0	0	0
Transfers Out	(10,000)	0	0	0	0
Payments to Refunded Debt Escrow Agent	0	0	0	(3,381,078)	0
Total Other Financing Sources (Uses)	$ (3,825)	$ 0	$ 9,575	$ 102,430	$ 4,301,091
Net Change in Fund Balances	$ 175,290	$ 23,797	$ 188,193	$ (53,675)	$ 0
Fund Balance, July 1, 2016	864,854	837,817	654,809	3,901,030	0
Fund Balance, June 30, 2017	$ 1,040,144	$ 861,614	$ 843,002	$ 3,847,355	$ 0

(Continued)

Exhibit C-3

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

	Nonmajor Funds Other Govern-mental Funds	Total Governmental Funds
Revenues		
Local Taxes	$ 1,689	$ 5,352,343
Licenses and Permits	0	17,761
Fines, Forfeitures, and Penalties	19,274	109,364
Charges for Current Services	8,720	959,114
Other Local Revenues	137,662	287,036
Fees Received From County Officials	0	879,776
State of Tennessee	0	4,196,689
Federal Government	0	1,065,824
Other Governments and Citizens Groups	0	1,400,354
Total Revenues	$ 167,345	$ 14,268,261
Expenditures		
Current:		
General Government	$ 94,685	$ 921,050
Finance	0	531,617
Administration of Justice	7,800	570,650
Public Safety	30,607	2,128,741
Public Health and Welfare	0	1,347,478
Social, Cultural, and Recreational Services	2,602	129,771
Agriculture and Natural Resources	2,239	135,095
Other Operations	1,386	2,194,220
Highways	0	3,535,267
Debt Service:		
Principal on Debt	20,668	2,198,980
Interest on Debt	1,272	221,606
Other Debt Service	0	242,724

(Continued)

Exhibit C-3

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

	Nonmajor Funds Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)		
Capital Projects	$ 279,695	$ 4,460,337
Total Expenditures	$ 440,954	$ 18,617,536
Excess (Deficiency) of Revenues Over Expenditures	$ (273,609)	$ (4,349,275)
Other Financing Sources (Uses)		
Bonds Issued	$ 0	$ 4,295,000
Notes Issued	340,000	340,000
Refunding Debt Issued	0	3,455,000
Premiums on Debt Sold	0	34,599
Insurance Recovery	17,333	33,083
Transfers In	10,000	10,000
Transfers Out	0	(10,000)
Payments to Refunded Debt Escrow Agent	0	(3,381,078)
Total Other Financing Sources (Uses)	$ 367,333	$ 4,776,604
Net Change in Fund Balances	$ 93,724	$ 427,329
Fund Balance, July 1, 2016	168,362	6,426,872
Fund Balance, June 30, 2017	$ 262,086	$ 6,854,201

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

Exhibit C-4

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

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		$ 427,329
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 630,662	
Less: current-year depreciation expense	(948,679)	(318,017)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(6,000)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2017	$ 1,842,769	
Less: deferred delinquent property taxes and other deferred June 30, 2016	(1,747,843)	94,926
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	$ (340,000)	
Less: bond proceeds	(7,750,000)	
Less: change in premium on debt issuances	(29,221)	
Add: change in deferred amount on refunding debt	35,029	
Add: refunded note principal	3,346,049	
Add: principal payments on bonds	1,579,183	
Add: principal payments on notes	574,129	
Add: principal payments on capital leases	45,668	(2,539,163)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 40,704	
Change in compensated absences payable	(25,101)	
Change in other postemployment benefits liability	(5,799)	
Change in landfill closure/postclosure care costs	8,230	
Change in net pension asset	(64,658)	
Change in deferred outflows related to pensions	238,670	
Change in deferred inflows related to pensions	(33,804)	158,242
Change in net position of governmental activities (Exhibit B)		$ (2,182,683)

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

Exhibit C-5

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 4,039,168	$ 0	$ 4,039,168	$ 3,814,630	$ 3,814,630	$ 224,538
Licenses and Permits	17,761	0	17,761	17,500	17,500	261
Fines, Forfeitures, and Penalties	90,090	0	90,090	106,450	106,450	(16,360)
Charges for Current Services	45,498	0	45,498	36,500	36,500	8,998
Other Local Revenues	33,215	0	33,215	68,800	68,800	(35,585)
Fees Received From County Officials	879,776	0	879,776	822,150	822,150	57,626
State of Tennessee	658,546	0	658,546	731,500	731,500	(72,954)
Federal Government	1,065,824	0	1,065,824	147,000	147,000	918,824
Total Revenues	$ 6,829,878	$ 0	$ 6,829,878	$ 5,744,530	$ 5,744,530	$ 1,085,348
Expenditures						
General Government						
County Commission	$ 58,052	$ 0	$ 58,052	$ 49,677	$ 67,277	$ 9,225
Board of Equalization	1,275	0	1,275	2,200	2,200	925
Beer Board	75	0	75	150	150	75
Budget and Finance Committee	1,425	0	1,425	1,000	1,500	75
Other Boards and Committees	1,290	0	1,290	1,000	1,250	(40)
County Mayor/Executive	151,761	0	151,761	153,510	153,510	1,749
County Attorney	2,400	0	2,400	2,400	2,400	0
Election Commission	145,197	0	145,197	155,305	155,305	10,108
Register of Deeds	131,107	0	131,107	131,823	131,823	716
County Buildings	333,290	0	333,290	304,556	351,756	18,466
Preservation of Records	493	0	493	550	550	57
Finance						
Property Assessor's Office	144,914	0	144,914	149,651	150,701	5,787
Reappraisal Program	23,595	0	23,595	32,698	32,915	9,320

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Finance (Cont.)						
County Trustee's Office	$ 154,165	$ 0	$ 154,165	$ 155,073	$ 155,073	$ 908
County Clerk's Office	208,943	0	208,943	214,620	214,620	5,677
Administration of Justice						
Circuit Court	175,205	50	175,255	173,677	183,102	7,847
General Sessions Court	199,690	0	199,690	201,295	203,148	3,458
Chancery Court	134,368	0	134,368	136,010	137,960	3,592
Juvenile Court	53,587	0	53,587	56,023	56,023	2,436
Public Safety						
Sheriff's Department	1,390,474	0	1,390,474	1,389,668	1,462,492	72,018
Jail	401,867	0	401,867	281,977	366,944	(34,923)
Fire Prevention and Control	133,717	0	133,717	134,538	137,228	3,511
Rural Fire Protection	40,961	0	40,961	41,500	41,500	539
Civil Defense	57,096	0	57,096	47,605	57,815	719
Inspection and Regulation	5,519	0	5,519	5,619	5,619	100
Other Public Safety	68,500	0	68,500	68,500	68,500	0
Public Health and Welfare						
Local Health Center	209,448	0	209,448	174,187	224,436	14,988
Ambulance/Emergency Medical Services	0	0	0	10,000	10,000	10,000
Other Local Health Services	17,131	0	17,131	31,015	31,015	13,884
Social, Cultural, and Recreational Services						
Libraries	127,169	0	127,169	141,703	141,703	14,534
Agriculture and Natural Resources						
Agricultural Extension Service	74,690	0	74,690	78,785	78,785	4,095
Soil Conservation	58,166	0	58,166	58,166	58,166	0

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Other Operations						
Other Economic and Community Development	$ 1,062,955 $	0 $	1,062,955 $	176,764 $	1,266,999 $	204,044
Airport	64,000	0	64,000	64,000	64,000	0
Veterans' Services	12,783	0	12,783	13,739	13,739	956
Other Charges	140,065	0	140,065	140,000	143,500	3,435
Contributions to Other Agencies	11,588	0	11,588	21,000	21,000	9,412
Employee Benefits	839,462	0	839,462	938,110	954,910	115,448
Miscellaneous	14,340	0	14,340	6,500	13,000	(1,340)
Total Expenditures	$ 6,650,763 $	50 $	6,650,813 $	5,744,594 $	7,162,614 $	511,801
Excess (Deficiency) of Revenues Over Expenditures	$ 179,115 $	(50) $	179,065 $	(64) $	(1,418,084) $	1,597,149
Other Financing Sources (Uses)						
Insurance Recovery	$ 6,175 $	0 $	6,175 $	50,000 $	50,000 $	(43,825)
Transfers In	0	0	0	555,000	55,000	(55,000)
Transfers Out	(10,000)	0	(10,000)	(500,000)	0	(10,000)
Total Other Financing Sources	$ (3,825) $	0 $	(3,825) $	105,000 $	105,000 $	(108,825)
Net Change in Fund Balance	$ 175,290 $	(50) $	175,240 $	104,936 $	(1,313,084) $	1,488,324
Fund Balance, July 1, 2016	864,854	0	864,854	1,186,886	1,186,886	(322,032)
Fund Balance, June 30, 2017	$ 1,040,144 $	(50) $	1,040,094 $	1,291,822 $	(126,198) $	1,166,292

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

Exhibit C-6

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 1,105	$ 0	$ 1,105	$ 1,500	$ 1,500	$ (395)
Charges for Current Services	904,896	0	904,896	748,800	748,800	156,096
Other Local Revenues	48,115	0	48,115	105,000	105,000	(56,885)
State of Tennessee	285,013	0	285,013	314,900	314,900	(29,887)
Other Governments and Citizens Groups	2,280	0	2,280	0	0	2,280
Total Revenues	$ 1,241,409	$ 0	$ 1,241,409	$ 1,170,200	$ 1,170,200	$ 71,209
Expenditures						
Public Health and Welfare						
Sanitation Management	$ 854,474	$ 0	$ 854,474	$ 800,500	$ 878,600	$ 24,126
Recycling Center	114,321	1,250	115,571	103,600	118,368	2,797
Landfill Operation and Maintenance	152,104	200	152,304	168,857	169,443	17,139
Other Operations						
Employee Benefits	47,641	0	47,641	52,160	52,160	4,519
Highways						
Litter and Trash Collection	49,072	2,001	51,073	39,900	51,177	104
Total Expenditures	$ 1,217,612	$ 3,451	$ 1,221,063	$ 1,165,017	$ 1,269,748	$ 48,685
Excess (Deficiency) of Revenues Over Expenditures	$ 23,797	$ (3,451)	$ 20,346	$ 5,183	$ (99,548)	$ 119,894
Net Change in Fund Balance	$ 23,797	$ (3,451)	$ 20,346	$ 5,183	$ (99,548)	$ 119,894
Fund Balance, July 1, 2016	837,817	0	837,817	918,160	918,160	(80,343)
Fund Balance, June 30, 2017	$ 861,614	$ (3,451)	$ 858,163	$ 923,343	$ 818,612	$ 39,551

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

Exhibit C-7

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 383,199	$ 374,867	$ 374,867	$ 8,332
Other Local Revenues	11,375	47,000	47,000	(35,625)
State of Tennessee	3,253,130	2,301,191	3,152,188	100,942
Other Governments and Citizens Groups	43,190	25,000	25,000	18,190
Total Revenues	$ 3,690,894	$ 2,748,058	$ 3,599,055	$ 91,839
Expenditures				
Highways				
Administration	$ 151,089	$ 148,223	$ 152,628	$ 1,539
Highway and Bridge Maintenance	802,114	843,752	819,755	17,641
Operation and Maintenance of Equipment	250,378	403,480	305,850	55,472
Other Charges	87,417	83,000	93,000	5,583
Employee Benefits	428,915	454,500	442,056	13,141
Capital Outlay	1,766,282	857,500	1,837,500	71,218
Principal on Debt				
Highways and Streets	25,000	25,000	25,000	0
Interest on Debt				
Highways and Streets	835	843	835	0
Other Debt Service				
Highways and Streets	246	0	246	0
Total Expenditures	$ 3,512,276	$ 2,816,298	$ 3,676,870	$ 164,594
Excess (Deficiency) of Revenues Over Expenditures	$ 178,618	$ (68,240)	$ (77,815)	$ 256,433
Other Financing Sources (Uses)				
Insurance Recovery	$ 9,575	$ 0	$ 9,575	$ 0
Total Other Financing Sources	$ 9,575	$ 0	$ 9,575	$ 0
Net Change in Fund Balance	$ 188,193	$ (68,240)	$ (68,240)	$ 256,433
Fund Balance, July 1, 2016	654,809	1,036,616	1,036,616	(381,807)
Fund Balance, June 30, 2017	$ 843,002	$ 968,376	$ 968,376	$ (125,374)

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

Exhibit D

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

	Agency Funds
ASSETS	
Cash	$ 624,253
Accounts Receivable	315
Due from Other Governments	311,566
Cash Shortage	6,441
Total Assets	$ 942,575
LIABILITIES	
Due to Other Taxing Units	$ 311,566
Due to Litigants, Heirs, and Others	631,009
Total Liabilities	$ 942,575

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

McNAIRY COUNTY, TENNESSEE
Index of Notes to the Financial Statements

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The McNairy County School Department operates the public school system in the county, and the voters of McNairy County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the county commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The McNairy County Airport Authority operates the county's only airport facility, and the McNairy County Commission appoints its governing body and approves its operating budget. The McNairy County Airport Authority is funded primarily through rentals and fuel sales.

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

The McNairy County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

McNairy County Airport Authority
2282 Airport Road
Selmer, TN 38375

McNairy County Emergency
Communications District
12 Falcon Street
Selmer, TN 38375

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

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

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

McNairy County issues all debt for the discretely presented McNairy County School Department. Net debt issues totaling $4,180,642 were contributed by the county to the School Department during the year ended June 30, 2017.

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

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

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

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

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

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

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

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

McNairy County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This special revenue fund accounts for the county's garbage collection operations. Residential waste collection charges are the foundational revenues of this fund.

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

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

Education Capital Projects Fund – This fund accounts for debt issued by McNairy County that is subsequently contributed to the discretely presented McNairy County School Department for construction and renovation projects.

Additionally, McNairy County reports the following fund type:

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

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

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

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

Additionally, the McNairy County School Department reports the following fund type:

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented McNairy County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. McNairy County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. <u>Receivables and Payables</u>

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

Property taxes and solid waste receivables are shown with an allowance for uncollectibles. The solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.94 percent of total taxes levied.

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

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

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

3. **Prepaid Items**

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

4. **Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

Assets	Years
Buildings and Improvements	25 - 40
Other Capital Assets	5 - 20
Infrastructure:	
Roads	20 - 50
Bridges	30

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

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

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

6. **Compensated Absences**

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. There is no liability for accumulated sick leave since McNairy County does not have a policy to pay sick leave when employees separate from service with the government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The School Department has a formal leave policy; however, the policy does not provide for employees to receive compensation for unused accumulated vacation or sick leave days.

7. **Long-term Obligations**

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

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

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

8. **Net Position and Fund Balance**

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

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

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

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

As of June 30, 2017, McNairy County had $7,822,890 in outstanding debt for capital purposes for the discretely presented McNairy County School Department. This debt is a liability of McNairy County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, McNairy County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

E. Pension Plans

Primary Government

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

Discretely Presented McNairy County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented McNairy County School Department

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

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

Primary Government

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

Discretely Presented McNairy County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. **Cash Shortages – Prior Years**

The audit of McNairy County for the 2007-08 year reported a cash shortage of $13,528.19 in the Office of Circuit Court Clerk. A former office employee admitted taking the funds and has restored the $13,528.19 in missing funds to the office. On June 20, 2008, the former employee pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, granted probation immediately, and ordered to pay $4,405 for restitution to the county for audit expenses. As of June 30, 2017, uncollected restitution for audit expenses totaled $3,390.50.

The audit of McNairy County for the 2011-12 year reported a cash shortage of $9,782.36 in the Office of Sheriff. A former employee admitted taking the funds, and on February 14, 2013, was found guilty of theft of property and official misconduct and ordered to pay restitution and court costs. As of June 30, 2017, the uncollected cash shortage totaled $6,441.38.

C. **Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations in the Drug Control Fund by $47. Also, expenditures exceeded appropriations approved by the county commission in several major appropriation categories (the legal level of control) of the General Fund:

Major Appropriation Category		Amount Overspent
General Government - Other Boards and Committees	$	40
Public Safety - Jail		34,923
Other Operations - Miscellaneous		1,340
Transfers Out		10,000

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

The county had no pooled or non-pooled investments as of June 30, 2017.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 1,140,327	$ 0	$ 0	$ 1,140,327
Total Capital Assets Not Depreciated	$ 1,140,327	$ 0	$ 0	$ 1,140,327
Capital Assets Depreciated:				
Buildings and Improvements	$ 10,776,631	$ 0	$ 0	$ 10,776,631
Infrastructure	5,647,806	385,730	0	6,033,536
Other Capital Assets	6,128,341	244,932	36,000	6,337,273
Total Capital Assets Depreciated	$ 22,552,778	$ 630,662	$ 36,000	$ 23,147,440
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 7,121,660	$ 373,640	$ 0	$ 7,495,300
Infrastructure	1,372,081	254,558	0	1,626,639
Other Capital Assets	4,837,015	320,481	30,000	5,127,496
Total Accumulated Depreciation	$ 13,330,756	$ 948,679	$ 30,000	$ 14,249,435
Total Capital Assets Depreciated, Net	$ 9,222,022	$ (318,017)	$ 6,000	$ 8,898,005
Governmental Activities Capital Assets, Net	$ 10,362,349	$ (318,017)	$ 6,000	$ 10,038,332

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

Governmental Activities:

General Government	$ 181,085
Finance	14,576
Administration of Justice	5,087
Public Safety	272,228
Public Health and Welfare	49,173
Highway/Public Works	426,530
Total Depreciation Expense - Governmental Activities	$ 948,679

Discretely Presented McNairy County School Department

Governmental Activities:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 1,286,479	$ 0	$ 0	$ 1,286,479
Construction in Progress	120,277	102,873	22,800	200,350
Total Capital Assets Not Depreciated	$ 1,406,756	$ 102,873	$ 22,800	$ 1,486,829
Capital Assets Depreciated:				
Buildings and Improvements	$ 28,119,117	$ 0	$ 0	$ 28,119,117
Other Capital Assets	7,557,238	527,995	0	8,085,233
Total Capital Assets Depreciated	$ 35,676,355	$ 527,995	$ 0	$ 36,204,350
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 17,412,319	$ 534,827	$ 0	$ 17,947,146
Other Capital Assets	5,488,234	379,641	0	5,867,875
Total Accumulated Depreciation	$ 22,900,553	$ 914,468	$ 0	$ 23,815,021
Total Capital Assets Depreciated, Net	$ 12,775,802	$ (386,473)	$ 0	$ 12,389,329
Governmental Activities Capital Assets, Net	$ 14,182,558	$ (283,600)	$ 22,800	$ 13,876,158

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

Governmental Activities:

Instruction	$ 586,017
Support Services	304,134
Operation of Non-instructional Services	24,317
Total Depreciation Expense - Governmental Activities	$ 914,468

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

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 764
Nonmajor governmental	General	10,000

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

Interfund Transfers:

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

Primary Government

	Transfer In	
Transfer Out	Nonmajor Governmental Fund	Purpose
General Fund	$ 10,000	Operations

Discretely Presented McNairy County School Department

Transfer Out		Transfer In General Purpose School Fund	Purpose
Nonmajor governmental fund	$	40,255	Indirect costs

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

D. Capital Leases

On September 17, 2014, McNairy County entered into two three-year lease-purchase agreements for trucks for the Sheriff's Department. The terms of the agreements require total lease payments of $30,622 and $30,421, respectively, plus interest of 5.25 percent. Titles to the trucks transfer to McNairy County at the end of the lease period. The lease payments are made from the Drug Control Fund.

The assets acquired through capital leases are as follows:

Assets		Governmental Activities
Other Capital Assets	$	61,043
Less: Accumulated Depreciation		(30,522)
Total Book Value	$	30,521

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

Year Ending June 30		Governmental Funds
2018	$	3,718
Total Minimum Lease Payments	$	3,718
Less: Amount Representing Interest		(142)
Present Value of Minimum Lease Payments	$	3,576

E. **Long-term Obligations**

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 29 years for bonds and 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2017, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Final Maturity		Original Amount of Issue		Balance 6-30-17
General Obligation Bonds	2 to 4.75%	6-1-46	$	4,837,750	$	4,479,276
General Obligation Bonds - Refunding	2 to 4.5	6-1-46		9,990,000		4,440,000
Capital Outlay Notes	0 to 3.25	3-1-27		2,096,560		1,726,406
Capital Leases	5.25	12-1-17		61,043		3,576

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

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2018	$ 1,278,739	$ 259,007	$ 1,537,746
2019	1,025,350	226,080	1,251,430
2020	437,027	193,089	630,116
2021	308,789	183,326	492,115
2022	209,371	177,345	386,716
2023-2027	900,000	813,588	1,713,588
2028-2032	1,000,000	704,393	1,704,393
2033-2037	1,155,000	560,133	1,715,133
2038-2042	1,345,000	360,680	1,705,680
2043-2046	1,260,000	112,000	1,372,000
Total	$ 8,919,276	$ 3,589,641	$ 12,508,917

Year Ending June 30	Notes Principal	Notes Interest	Notes Total
2018	$ 191,289	$ 14,346	$ 205,635
2019	191,289	12,368	203,657
2020	191,289	10,390	201,679
2021	191,290	8,413	199,703
2022	185,139	6,434	191,573
2023-2027	776,110	11,636	787,746
Total	$ 1,726,406	$ 63,587	$ 1,789,993

There is $3,847,355 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $342, based on the 2010 federal census. Total debt per capita, including bonds, notes, capital leases, and unamortized debt premiums, totaled $410, based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2016	$ 2,748,459	$ 5,306,584	$ 49,244
Additions	7,750,000	340,000	0
Reductions	(1,579,183)	(3,920,178)	(45,668)
Balance, June 30, 2017	$ 8,919,276	$ 1,726,406	$ 3,576
Balance Due Within One Year	$ 1,278,739	$ 191,289	$ 3,576

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2016	$ 96,365	$ 519,254	$ 63,201
Additions	127,573	6,558	9,990
Reductions	(102,472)	(14,788)	(4,191)
Balance, June 30, 2017	$ 121,466	$ 511,024	$ 69,000
Balance Due Within One Year	$ 62,555	$ 23,299	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$ 11,350,748
Less: Balance Due Within One Year	(1,559,458)
Add: Unamortized Premium on Debt	44,470
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 9,835,760

Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund. Other postemployment benefits will be paid from the Highway/Public Works Fund.

Current Refunding

On June 9, 2017, McNairy County issued $7,750,000 in general obligation bonds of which $3,455,000 was used for a current refunding of $3,346,049 of three capital outlay notes. As a result, the refunded capital outlay notes are considered defeased, and the liability has been removed from the county's long-term debt. Information regarding the comparison of future and prior debt service payments was not available.

Discretely Presented McNairy County School Department

Changes in Long-term Obligations

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

Governmental Activities:

	Other Postemployment Benefits	Net Pension Liability - Teacher Legacy Pension Plan
Balance, July 1, 2016	$ 1,061,930	$ 175,431
Additions	404,841	7,164,874
Reductions	(382,081)	(4,546,069)
Balance, June 30, 2017	$ 1,084,690	$ 2,794,236
Balance Due Within One Year	$ 0	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$ 3,878,926
Less: Balance Due Within One Year	0
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 3,878,926

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

F. **On-Behalf Payments – Discretely Presented McNairy County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the McNairy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group

Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2017, were $76,856 and $46,663, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

During the year, McNairy County borrowed $500,000 from the General Debt Service Fund to provide temporary operating funds for the General Fund. This loan was retired prior to June 30, 2017, as required by state statutes, and therefore has not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2017, was as follows:

	Balance 7-1-16	Issued	Paid	Balance 6-30-17
Tax Anticipation Notes	$ 0	$ 500,000	$ (500,000)	$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

McNairy County is exposed to various risks related to general liability, property, and casualty losses. The county participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding $100,000 for each insured event.

McNairy County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, *Tennessee Code Annotated* (*TCA*), by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding $300,000.

The employees of McNairy County (excluding the Highway Department) are provided health insurance through the purchase of commercial insurance. Retirees are not allowed to continue coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

McNairy County provides health insurance coverage to its Highway Department employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *TCA*, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented McNairy County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

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

B. Accounting Changes

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

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

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

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

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

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

C. Contingent Liabilities

The attorneys for the county and School Department advised of several pending lawsuits involving McNairy County. However, they estimate that any potential claims not covered by insurance resulting from such litigation should not materially affect the county or School Department's financial statements.

D. **<u>Change in Administration</u>**

On August 31, 2016, Betty Ashe left the Office of Assessor of Property and was succeeded by Brandon Moore.

E. **<u>Landfill Closure/Postclosure Care Costs</u>**

McNairy County has active permits on file with the state Department of Environment and Conservation for a sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. McNairy County closed its sanitary landfill in 1998. The $511,024 reported as postclosure care liability at June 30, 2017, represents amounts based on what it would cost to perform all postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. **<u>Jointly Governed Organization</u>**

The West Tennessee Railroad Authority (WTRA) was created by Gibson County in conjunction with the counties of Chester, Madison, McNairy, Obion, and Weakley. The WTRA's board includes the mayors of Chester, Gibson, Madison, McNairy, Obion, and Weakley counties, and one at-large member from each of these areas. However, the counties do not have any ongoing financial interest or responsibility for the entity.

G. **<u>Retirement Commitments</u>**

<u>Tennessee Consolidated Retirement System (TCRS)</u>

<u>Primary Government</u>

General Information About the Pension Plan

Plan Description. Employees of McNairy County and non-certified employees of the discretely presented McNairy County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 42.13 percent and the non-certified employees of the discretely presented School Department comprised 57.87 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	128
Inactive Employees Entitled to But Not Yet Receiving Benefits	353
Active Employees	364
Total	845

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. McNairy County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contribution for McNairy County was $409,111 based on a rate of 5.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept McNairy County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

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

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

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

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

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

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2015	$ 14,840,359	$ 15,663,020	$ (822,661)
Changes for the year:			
Service Cost	$ 562,697	$ 0	$ 562,697
Interest	1,136,026	0	1,136,026
Differences Between Expected and Actual Experience	(374,167)	0	(374,167)
Contributions-Employer	0	403,328	(403,328)
Contributions-Employees	0	384,121	(384,121)
Net Investment Income	0	418,276	(418,276)
Benefit Payments, Including Refunds of Employee Contributions	(512,088)	(512,088)	0
Administrative Expense	0	(27,777)	27,777
Other Changes	0	1,337	(1,337)
Net Changes	$ 812,468	$ 667,197	$ 145,271
Balance, June 30, 2016	$ 15,652,827	$ 16,330,217	$ (677,390)

Allocation of Agent Plan Changes in the Net Pension Liability

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	42.13%	$ 6,594,536	$ 6,879,920	$ (285,384)
School Department	57.87%	9,058,291	9,450,297	(392,006)
Total		$ 15,652,827	$ 16,330,217	$ (677,390)

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

McNairy County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 1,175,358	$ (677,390)	$ (2,235,622)

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

Pension Expense. For the year ended June 30, 2017, McNairy County recognized pension expense of $81,101.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 488,393
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	551,764	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	409,111	N/A
Total	$ 960,875	$ 488,393

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	$ 408,358	$ 205,760
School Department	552,517	282,633
Total	$ 960,875	$ 488,393

Amounts reported as deferred outflows of resources, with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ (75,880)
2019	(75,880)
2020	154,502
2021	60,629
2022	0
Thereafter	0

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

Discretely Presented McNairy County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of McNairy County and non-certified employees of the discretely presented McNairy County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 42.13 percent and the non-certified employees of the discretely presented School Department comprised 57.87 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017, to the Teacher Retirement Plan were $76,950, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets). At June 30, 2017, the McNairy County School Department reported an asset of $23,589 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The McNairy County School Department's proportion of the net pension asset was based on the McNairy County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the McNairy County School Department's proportion was .226590 percent. The revised proportion measured at June 30, 2015, was .293138 percent.

Pension Expense. For the year ended June 30, 2017, the McNairy County School Department recognized pension expense of $19,904.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 2,286	$ 2,720
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,862	0
Changes in Proportion of Net Pension Liability (Asset)	1,867	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	76,950	N/A
Total	$ 84,965	$ 2,720

The McNairy County School Department's employer contributions of $76,950, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ 1,110
2019	1,110
2020	1,110
2021	926
2022	99
Thereafter	940

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

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 11,139	$ (23,589)	$ (49,176)

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

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the McNairy County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the McNairy County School Department for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were $1,416,634, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability (Assets). At June 30, 2017, the McNairy County School Department reported a liability of $2,794,236 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The McNairy County School Department's proportion of the net pension liability (asset) was based on the McNairy County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the McNairy County School Department's proportion was .447117 percent. The proportion measured at June 30, 2015, was .428261 percent.

Pension Expense. For the year ended June 30, 2017, the McNairy County School Department recognized pension expense of $347,829.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 117,591	$ 3,382,894
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,119,802	0
Changes in Proportion of Net Pension Liability (Asset)	143,016	40,293
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	1,416,634	N/A
Total	$ 4,797,043	$ 3,423,187

The McNairy County School Department's employer contributions of $1,416,634 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ (504,317)
2019	(504,317)
2020	992,250
2021	165,450
2022	(191,843)
Thereafter	0

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

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

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 15,343,629	$ 2,794,236	$ (7,601,116)

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

H. Other Postemployment Benefits (OPEB)

Plan Description

The McNairy County Highway Department participates in the state-administered Local Government Group Insurance Plan and the McNairy County School Department participates in the state-administered Local Education Group Insurance and Medicare Supplement plans for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated* (*TCA*), for local governments, Section 8-27-302, *TCA*, for local education employees, and Section 8-27-701, *TCA*, for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tn.gov/finance/article/fa-accfin-cafr.

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a contribution toward the health insurance premiums of the Local Education Group Insurance and the Medicare Supplement plans for certified employees who retire with at least ten years of service, participate in the Tennessee Consolidated Retirement System, and have been covered under the group medical plan prior to retirement. Currently, 60 school retirees meet those eligibility requirements, and all chose to participate during the fiscal year. The School Department contributes from 11 to 15 percent of the premium for each eligible retiree and their dependents based on a value calculated from the retiree's years of service and a percentage of the premium. The calculated annual amount is allocated to each eligible retiree and used to pay the health insurance premium monthly until the amount is exhausted or the retiree is deceased. Retirees' contributions vary depending on which option they select. During the year ended June 30, 2017, the McNairy County Highway Department and the School Department contributed $2,376 and $382,081, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan	Medicare Supplement Plan-School Department
ARC	$ 10,000	$ 366,000	$ 39,000
Interest on the NOPEBO	2,370	38,669	1,154
Adjustment to the ARC	(2,380)	(38,824)	(1,158)
Annual OPEB cost	$ 9,990	$ 365,845	$ 38,996
Less: Amount of contribution	(2,376)	(374,396)	(7,685)
Adjustment to Align ARC with AAL	(1,815)	0	0
Increase/decrease in NOPEBO	$ 5,799	$ (8,551)	$ 31,311
Net OPEB obligation, 7-1-16	63,201	1,031,164	30,766
Net OPEB obligation, 6-30-17	$ 69,000	$ 1,022,613	$ 62,077

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-15	Local Government Group	$ 6,055	59 %	$ 55,894
6-30-16	"	8,992	19	63,201
6-30-17	"	9,990	24	69,000
6-30-15	Local Education Group	283,024	105	981,476
6-30-16	"	353,852	86	1,031,164
6-30-17	"	365,845	102	1,022,613
6-30-16	Medicare Supplement-School Department *	38,000	19	30,766
6-30-17	"	38,996	20	62,077

* Three years will be reported as the data becomes available.

Funded Status and Funding Progress

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

	Local Government Group Plan	Local Education Group Plan	Medicare Supplement Plan-School Department
Actuarial valuation date	7-1-15	7-1-15	7-1-15
Actuarial accrued liability (AAL)	$ 69,000	$ 3,353,000	$ 516,000
Actuarial value of plan assets	$ 0	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 69,000	$ 3,353,000	$ 516,000
Actuarial value of assets as a % of the AAL	0%	0%	0%
Covered payroll (active plan members)	$ 775,392	$ 21,580,136	$ N/A
UAAL as a % of covered payroll	9%	16%	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of six percent in fiscal year 2017, and then be reduced by decrements to an ultimate rate of 4.645 percent by fiscal year 2050. The annual health care cost trend rate for the Medicare Supplement Plan was six percent in fiscal year 2017 and then will be reduced by decrements to an ultimate rate of 4.345 percent by fiscal year 2050. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 35-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

I. Purchasing Laws

Office of County Mayor

Chapter 171, Private Acts of 1990, provides for the county mayor to serve as purchasing agent for McNairy County and to award all contracts for purchases for all departments, excluding purchases made from county highway or county education funds. Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated* (*TCA*), which provide for purchases exceeding $10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Highway Commissioner

Section 54-7-113, *TCA,* (Uniform Road Law), governs purchasing procedures for the Highway Department. This statute requires all purchases exceeding $10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

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

J. Subsequent Event

On September 1, 2017, the county's General Debt Service Fund issued a tax anticipation note totaling $500,000 to the General Fund for temporary operating funds.

VI. OTHER NOTES – DISCRETELY PRESENTED McNAIRY COUNTY AIRPORT AUTHORITY

A. General Information

1. GASB Conformity

The McNairy County Airport Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

2. Financial Reporting Entity

The authority is a component unit of McNairy County, Tennessee, and is governed by a board of directors appointed by the county government. The authority is responsible for financing, developing, and operating McNairy County's public airport. The McNairy County Commission approves the operating budget of the authority and has provided regular operating subsidies to the authority in the past.

3. Fund Accounting

The accounts of the authority are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements in this report fall under one broad category as follows:

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

Revenues are recognized when earned, and expenses are recognized when incurred. The authority has defined nonoperating revenues to be revenues that are not generated from daily operations. Capital contributions are nonoperating revenues.

2. **Capital Assets**

All capital assets of the authority are recorded at original cost. Expenses that materially increase values or capacities, or extend useful lives of these assets, are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. These depreciable capital assets are being depreciated over various estimated useful lives on a straight-line basis. Any interest incurred in preparing or acquiring a capital asset for use is included in its cost. The authority has not adopted a capitalization threshold policy.

3. **Cash Equivalents**

Cash and cash equivalents include demand deposit accounts. Restricted cash consists of deposits held in an escrow account to fund the authority's local matching requirement for the ongoing authority grant projects and deposits in other local bank accounts for the retainage due on several projects.

4. **Inventory**

Inventory consists of fuel. Cost is determined using the first-in first-out method.

C. Cash and Investments

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. government or government agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the authority must have a written collateral agreement approved by the board of directors or loan committee.

The authority's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 105 percent of all amounts not covered by federal deposit insurance.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority requires any bank deposits to be insured by the Federal Deposit Insurance Corporation (FDIC), and any deposit in excess of FDIC coverage shall be collateralized by acceptable securities pledged for said purpose and an agreement between the bank of deposit and the authority shall be executed. As of June 30, 2017, the authority's bank balances were not exposed to custodial credit risk because they were insured and collateralized.

The authority also has $24,012 in an escrow account with the State of Tennessee.

D. Capital Assets

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

Description	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 91,331	$ 0	$ 0	$ 91,331
Construction in Progress	1,157,402	391,876	1,146,903	402,375
Total Capital Assets Not Depreciated	$ 1,248,733	$ 391,876	$ 1,146,903	$ 493,706
Capital Assets Depreciated:				
Airport	$ 4,841,872	$ 1,150,753	$ 0	$ 5,992,625
Building	196,238	0	0	196,238
Equipment	216,254	0	0	216,254
Vehicles	21,700	7,700	0	29,400
Total Capital Assets Depreciated	$ 5,276,064	$ 1,158,453	$ 0	$ 6,434,517
Less Accumulated Depreciation For:				
Airport	$ 1,947,440	$ 219,893	$ 0	$ 2,167,333
Building	67,049	4,906	0	71,955
Equipment	192,742	9,875	0	202,617
Vehicles	9,057	3,867	0	12,924
Total Accumulated Depreciation	$ 2,216,288	$ 238,541	$ 0	$ 2,454,829
Total Capital Assets, Net	$ 4,308,509	$ 1,311,788	$ 1,146,903	$ 4,473,394

E. Long-term Debt

The authority paid off all outstanding long-term debt during the current year.

Changes in Outstanding Debt

	Balance 7-1-16	Reductions	Balance 6-30-17
Capital Outlay Note	$ 120,569	$ (120,569)	$ 0

F. Risk Management

The authority 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. Settled claims have not exceeded this commercial coverage in any of the past three years.

G. Net Position Flow Assumption

Sometimes the authority 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 restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net position is displayed in three components:

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

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

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

H. Unearned Revenues – Rent

The hospital prepaid hangar rent for 15 years to aid in construction of a new hangar. The authority has recorded the appropriate amount as unearned rent and is recognizing the rent revenue as it is earned.

I. Construction and Other Significant Commitments

The authority has one significant commitment on a construction project for apron rehabilitation. This project has estimated costs of $500,000. It is to be funded with $477,273 from grant funds and $22,727 from the authority's local share. The authority had $402,375 recorded as construction in progress for this project at June 30, 2017.

Copies of the complete financial statements of the County for the current Fiscal Year are available at http://www.comptroller.tn.gov/la/CountySelect.asp.

APPENDIX D

INTERLOCAL AGREEMENT

<u>INTERLOCAL AGREEMENT</u>

BETWEEN:

MCNAIRY COUNTY, TENNESSEE (THE "COUNTY"),

THE COUNTY COMMISSION OF MCNAIRY COUNTY, TENNESSEE (THE "COUNTY COMMISSION"),

THE MCNAIRY COUNTY SCHOOL SYSTEM (THE "SCHOOL SYSTEM"),

AND

THE MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION (THE "BOARD OF EDUCATION")

This **INTERLOCAL AGREEMENT** (this "Agreement") is executed by and among (1) the **COUNTY** (a political subdivision of the State of Tennessee); (2) the **COUNTY COMMISSION (**the County's legislative and governing body); (3) the **SCHOOL SYSTEM** (a division of the County); and (4) the **BOARD OF EDUCATION** (the independently-elected, local education agency existing pursuant to the laws of the State of Tennessee for the purpose of operating the School System in and for the County, and the governing body of the School System) (collectively, the "Parties"), effective as of the 10th day of April, 2017.

WITNESSSETH:

WHEREAS, the County Commission is acting in its role as the legislative and governing body of the County, and the Board of Education is acting in its role as the governing body of the School System (together, the "Governing Bodies");

WHEREAS, the Governing Bodies have both determined that it is in the best interests of the Parties to enter into an "Interlocal Agreement" as authorized by Tennessee Code Annotated Title 12, Chapter 9 (the "Interlocal Cooperation Act");

WHEREAS, the Governing Bodies, have further determined that, pursuant to the Interlocal Cooperative Act, the Parties should enter into this Agreement for the purpose of memorializing the School System/Board of Education's agreement to fund all debt service on the County's proposed issuance of not-to-exceed $23,225,000 principal amount of debt obligations (the "Proposed School Bonds") which will be issued for the purpose of (1) refunding the County's existing debt previously issued for the benefit of the School System, and (2) funding new expenditures for the benefit of the School System (collectively, the "Project"); and

WHEREAS, the County Commission has authorized its Budget Committee Chairperson and the County Mayor to enter into this Agreement, pursuant to its resolution adopted on March 13, 2017, a copy of which is attached hereto as **Exhibit A**; and

WHEREAS, the Board of Education has authorized its Chairperson and the Director of Schools to enter into this Agreement, pursuant to its resolution adopted on February 9, 2017, a copy of which was attached as *Exhibit A* to the County Commission's March 13, 2017 resolution (see the latter portion of **Exhibit A** attached hereto); and

WHEREAS, the Board of Education has agreed to contractually obligate itself and the School System to pay all debt service (principal and interest) on the Proposed School Bonds, and such obligation shall exist from the date of any such debt issuance (which may consist of two (2) or more issuances) and continue until the final repayment of the same; and

WHEREAS, this Agreement shall set forth the Board of Education's and the School System's agreement to pledge such portion of the Schools System's Basic Education Plan funds ("BEP funds"), its local option sales tax revenues received pursuant to T.C.A. Section 67-6-712 ("Local Option Sales Tax funds"), and all of its other legally available funding sources (collectively, with the BEP funds and the Local Option Sales Tax funds, the "Pledged School Funds") toward the payment of all debt service on the Proposed School Bonds, via timely, periodic fund transfer to the County's General Debt Service Fund.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, and other good and valuable consideration, the Parties do hereby agree as follows:

I. PURPOSE & AGREEMENT

The purpose of this Agreement is to establish a protocol for, and define the respective responsibilities and obligations of the County, the County Commission, the School System and the Board of Education with respect to the County Commission's anticipated authorizations for the issuance of the Proposed School Bonds, the County's anticipated issuance of the Proposed School Bonds, and the Board of Education and School System's reciprocal agreement to timely provide the County all necessary funding for the debt service payments on the Proposed School Bonds (to include payment of both principal and interest thereon).

The parties hereby covenant, warrant and agree that should the County Commission authorize and the County issue the Proposed School Bonds, then the Board of Education and School System hereby agree to be responsible for the repayment of all debt service on said bonds by allocating all or a portion of the Pledged School Funds to the General Debt Service Fund of the County in a sufficient, semi-yearly amount equal to the County's debt service payments owed on the Proposed School Bonds. The County and the County Commission agree that all such Pledged Schools Funds shall only be used for the repayment of the Proposed Schools Bonds and may not be used for any other purpose.

II. CONTACT PERSONS

It is understood by the parties that the County executes all its orders and directives through its Governing Body and that the School System executes all of its orders and directives through its Board of Education.

Unless otherwise notified in writing to the contrary, the appropriate contact person (the "County Designated Officer") for the County for matters pertaining to this Agreement shall be:

McNairy County, Tennessee Mayor's Office
Attn: Mr. Ronnie Brooks
170 West Court Ave. - Rm 201
Selmer, Tennessee 38375
Ph. (731) 645-3472
Fax (731) 645-3313

Unless otherwise notified in writing to the contrary, the appropriate contact person (the "School System Designated Officer") for the School System for matters pertaining to the Agreement shall be:

McNairy County, Tennessee School System
Attn: Mr. Wayne Henry, Director of Schools
530 Mulberry Ave. - Ste. 2
Selmer, Tennessee 38375
Ph. (731) 645-3267
Fax (731) 645-8085

By notice to other parties hereunder, the County Designated Officers and the School System Designated Officer may designate representatives to carry out the purposes of this Agreement.

All notices given hereunder shall be by U.S. Certified Mail (return receipt requested), or by facsimile, or personal courier with signature upon delivery, or any other traceable method of delivery (such as email with delivery notification, FedEx Express or the United Parcel Service). All notices shall be effective only upon receipt by the addressee at the above addresses or fax numbers.

III. ADMINISTRATION AND RESPONSIBILITIES OF THE PARTIES

It is understood and agreed that this undertaking is pursuant to the Interlocal Cooperation Act which expressly authorizes the Parties, pursuant to approval the Governing Bodies, to enter into an interlocal agreement with each other for the purpose of the Project.

A separate entity or administrative body is not created under this Agreement. The County Trustee of the County is hereby designated the responsibility of receipt, disbursement, and accounting of School System funds to the General Debt Service Fund of the County as set forth in this Agreement. The Trustee shall be empowered to transfer funds from the Pledged School Funds to the General Debt Service Fund of the County in order to make timely payments on the debt service for the Proposed School Bonds.

IV. TERMS AND EFFECTIVE DATE

The effective date of this Agreement shall be April 10, 2017, or the first date on which it has been executed by all parties. This Agreement shall terminate upon the School System's retirement of the Proposed School Bonds, including but not limited to any future debt obligations issued by the County in order to refund all or a part of such Bonds. All present and future County Mayors, Boards of Commissioners, Boards of Education, and any Director of Schools shall be bound by the terms and conditions of this Agreement.

V. AMENDMENTS

This Agreement may be amended only by a writing executed by the authorized representative of the parties to this Agreement.

VI. SEVERABILITY

Should any provision of this Agreement be found to be unconstitutional, or otherwise be contrary to the laws of the State of Tennessee or the United States of America, to the extent that it is reasonably possibly to do so, the remainder of this Agreement shall remain in full forces and effect.

SO EXECUTED AND AGREED AS OF THE 10TH DAY OF APRIL, 2017.

MCNAIRY COUNTY, TENNESSE

By: Ronnie B Brooks

Ronnie Brooks, County Mayor

MCNAIRY COUNTY, TENNESSEE SCHOOL SYSTEM

By: ______________________________

Wayne Henry, Director of Schools

COUNTY COMMISSION OF MCNAIRY COUNTY, TENNESSEE

By: Jim Rickman

Jim Rickman,
Budget Committee Chairperson

MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION

By: ______________________________

Jarell Stanfield, Chairperson

accounting of School System funds to the General Debt Service Fund of the County as set forth in this Agreement. The Trustee shall be empowered to transfer funds from the Pledged School Funds to the General Debt Service Fund of the County in order to make timely payments on the debt service for the Proposed School Bonds.

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The effective date of this Agreement shall be April 10, 2017, or the first date on which it has been executed by all parties. This Agreement shall terminate upon the School System's retirement of the Proposed School Bonds, including but not limited to any future debt obligations issued by the County in order to refund all or a part of such Bonds. All present and future County Mayors, Boards of Commissioners, Boards of Education, and any Director of Schools shall be bound by the terms and conditions of this Agreement.

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SO EXECUTED AND AGREED AS OF THE 10TH DAY OF APRIL, 2017.

MCNAIRY COUNTY, TENNESSE

By: ______________________________
Ronnie Brooks, County Mayor

MCNAIRY COUNTY, TENNESSEE SCHOOL SYSTEM

By: Wayne Henry
Wayne Henry, Director of Schools

COUNTY COMMISSION OF MCNAIRY COUNTY, TENNESSEE

By: ______________________________
Jim Rickman,
Budget Committee Chairperson

MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION

By: Jarell Stanfield
Jarell Stanfield, Chairperson

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared **RONNIE BROOKS**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **County Mayor** of **McNairy County, Tennessee**, the within named bargainor, and that being such **County Mayor** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of **McNairy County, Tennessee**.

WITNESS my hand and seal, at office this 7th day of April, 2017.

Pamela M Weatherford

NOTARY PUBLIC

My Commission Expires:

12-16-17

PAMELA M. WEATHERFORD
STATE OF TENNESSEE NOTARY PUBLIC
McNAIRY COUNTY

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared **JIM RICKMAN**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **Budget Committee Chairperson** of the **County Commission of McNairy County, Tennessee**, the within named bargainor, and that being such **Budget Committee Chairperson** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of the **County Commission of McNairy County, Tennessee**.

WITNESS my hand and seal, at office this 7th day of April, 2017.

Pamela M Weatherford

NOTARY PUBLIC

My Commission Expires:

12-16-17

PAMELA M. WEATHERFORD STATE OF TENNESSEE NOTARY PUBLIC McNAIRY COUNTY

County Commission Chairperson's Notary Page

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared **WAYNE HENRY**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be **Director of Schools** of the **McNairy County, Tennessee School System**, the within named bargainor, and that being such **Director of Schools** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of the **McNairy County, Tennessee School System**.

WITNESS my hand and seal, at office this 10th day of April, 2017.

Kay Price

NOTARY PUBLIC

My Commission Expires:

5-28-2019

KAY PRICE NOTARY PUBLIC AT LARGE McNAIRY CO. TENN.

Director of Schools' Notary Page

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared **JARRELL STANFIELD**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **Chairperson** of the **McNairy County, Tennessee Board of Education**, the within named bargainor, and that being such **Chairperson** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of the **McNairy County, Tennessee Board of Education**.

WITNESS my hand and seal, at office this 10 day of April, 2017.

NOTARY PUBLIC

My Commission Expires:

02-16-21

DANIEL POWELL NOTARY PUBLIC Exp. Feb. 16, 2021 COWETA COUNTY, GA

4825-9019-4752, v. 6

Board of Education Chairperson's Notary Page

EXHIBIT A

RESOLUTION OF THE MCNAIRY COUNTY, TENNESSEE COUNTY COMMISSION AUTHORIZING AN INTERLOCAL AGREEMENT WITH MCNAIRY COUNTY TENNESSEE'S SCHOOL SYSTEM AND BOARD OF EDUCATION REGARDING THE REPAYMENT OF FUTURE SCHOOL-RELATED DEBT OBLIGATIONS

Dated: March 13, 2017

(*See also*, Exhibit A thereof: Resolution of the McNairy County, Tennessee Board of Education, dated February 9, 2017, approving the Interlocal Agreement)

Resolution #17-004
(*Approval of Interlocal Agreement Related to Future School Bonds*)

The County Commission of McNairy County, Tennessee, met in regular session at 7:00 o'clock p.m. on Monday, the 13th day of March, 2017, at its regular meeting place in the McNairy County, Tennessee County Annex Auditorium located at 530 Mulberry Avenue; Selmer, Tennessee 38375. Present were the Honorable Ronnie Brooks, Mayor, and the following named Commissioners:

Wilburn Ashe	Kevin Lipford	John Talbott
Steve Browder	Greg Martin	James Weatherford
Brenda Cauley	David McCullar	Stan Wheeler
Aubrey Harris	Troy Moore	Sandy Whitaker
Keith Jernigan	Jim Rickman	Matt Wood
Jeff Lipford	Anthony Smith	

Absent: Neal Burks, Tammy Dillon, Steve Hunter and Carol Ann Woods.
Others Present County Clerk Ronnie Price

****

OTHER BUSINESS

****

Mayor Brooks, presiding, noted that a quorum was present. Commissioner Jim Rickman moved for the adoption of the following resolution, which motion was seconded by Commissioner John Talbott, and after due discussion, was put to a roll call vote, the result of which was as followed:

Commissioners voting "Aye":

Wilburn Ashe	Kevin Lipford	John Talbott
Steve Browder	Greg Martin	James Weatherford
Brenda Cauley	David McCullar	Stan Wheeler
Aubrey Harris	Troy Moore	Sandy Whitaker
Keith Jernigan	Jim Rickman	Matt Wood
Jeff Lipford	Anthony Smith	

Commissioners voting "No": None. Commissioners not voting: None.

Resolution #17-004

RESOLUTION OF THE MCNAIRY COUNTY, TENNESSEE COUNTY COMMISSION AUTHORIZING AN INTERLOCAL AGREEMENT WITH MCNAIRY COUNTY TENNESSEE'S SCHOOL SYSTEM AND BOARD OF EDUCATION REGARDING THE REPAYMENT OF FUTURE SCHOOL-RELATED DEBT OBLIGATIONS

Dated: March 13, 2017

WHEREAS, the County Commission of McNairy County, Tennessee (the "County Commission"), as the legislative and governing body of McNairy County, Tennessee (the "County") has received a request from the McNairy County, Tennessee School System (the "School System"), a subdivision of the County, and the McNairy County, Tennessee Board of Education (the "Board of Education") proposing that the County Commission authorize the County's issuance of not-to-exceed $23,225,000 principal amount of debt obligations (the "Proposed School Bonds") to be issued for the purpose of (1) refunding the County's existing capital outlay note debt previously issued for the benefit of the School System, and (2) funding new expenditures for the benefit of the School System (collectively, the "Project"); and

WHEREAS, in support of its request and proposal, the Board of Education adopted a resolution on February 9, 2017 (attached hereto as Exhibit "A" and fully incorporated herein) which contains the following provisions:

> WHEREAS, the Board of Education hereby agrees to contractually obligate itself and the School System to pay all debt service (principal and interest) on the Proposed School Bonds, and to obligate itself therefore from the date of any such County debt issuance (which may consist of two (2) or more issuances) and continue until the final repayment of the same; and
>
> WHEREAS, the Board of Education, individually and on behalf of the School System wishes to pledge such portion of the Schools System's Basic Education Plan funds ("BEP funds"), its local option sales tax revenues received pursuant to T.C.A. Section 67-6-712 ("Local Option Sales Tax funds"), and all of its other legally available funding sources (collectively, with the BEP funds and the Local Option Sales Tax funds, the "Pledged School Funds") toward the payment of all debt service on the Proposed School Bonds, via timely, periodic fund transfer to the County's General Debt Service Fund; and
>
> WHEREAS, Board of Education has determined that, pursuant to Tennessee Code Annotated Title 12, Chapter 9 (the "Interlocal Cooperation Act"), the County, its County Commission, the School System and the Board of Education should enter into a "Interlocal Agreement" for the purpose of memorializing the Board of Education's and School System's agreement to fund all debt service on the Proposed School Bonds and to set forth the County and the County Commission mutual obligations to apply all such funds received from the School System only for the timely payment of the principal and interest due on Proposed School Bonds.

WHEREAS, pursuant to the Board of Education's February 9, 2017 resolution, the Chairperson of the Board of Education and the Director of the School System have been authorized to negotiate with the appropriate representatives of the County and the County Commission in order memorialize the Schools System's and the Board of Education's pledge of the Pledged School Funds and the reciprocal agreements of the County and Board of Commission, all as set forth in the proposed Interlocal Agreement attached hereto as Exhibit "B".

WHEREAS, the County Commission has determined that it is in the best interests of the County and its citizens to enter into the proposed Interlocal Agreement.

NOW, THEREFORE, BE IT RESOLVED by the County Commission as follows:

1. The request of the School System and Board of Education that the County issue the Proposed Schools Bonds in two or more emissions is hereby accepted conditioned upon the provisions set forth in the final, executed Interlocal Agreement (the form of which is attached as Exhibit B) and contingent upon the County Commission's separate approval or approvals of such bond issuance or issuances in the future.

2. The County Mayor and the Chairperson of the County Commission are hereby directed and authorized to complete negotiations with the appropriate representatives of the County and the County Commission in order to memorialize the Schools System's and the Board of Education's pledge of the Pledged School Funds and the reciprocal agreements of the County and Board of Commission, and to produce a final agreement in form of the proposed Interlocal Agreement attached hereto as Exhibit B.

3. The County Mayor and Chairperson of the County Commission are further authorized to take any other steps necessary to fulfill the terms of the final, executed Interlocal Agreement.

4. The adoption of this resolution and any subsequent finalization and execution of the Interlocal Agreement on the part of the County Mayor and County Commission shall not be interpreted as binding the County to issue the Proposed School Bonds, but instead, shall be interpreted as setting forth the mutual agreements that all parties to the Interlocal Agreement shall abide by in the event the County Commission separately authorizes and the County issues the Proposed School Bonds in the future.

Adopted and approved this 13th day of March, 2017.

Ronnie L. Poole

Mayor

(Seal)

Attest:

Ronnie Price

Ronnie Price, County Clerk

EXHIBIT A

February 9, 2017 Resolution of the McNairy County, Tennessee Board of Education

Resolution #____

RESOLUTION OF THE MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION (THE "BOARD OF EDUCATION")

Dated: February 9, ~~2016~~ 2017 WH

WHEREAS, the Board of Education, acting in its role as the Governing Body of the McNairy County, Tennessee School System (the "School System"), a subdivision of McNairy County, Tennessee (the "County") has determined that it is in the best interests of the School System, to submit a request to the County's Board of County Commissioners to issue not-to-exceed $23,225,000 principal amount of debt obligations (the "Proposed School Bonds") to be issued for the purpose of (1) refunding the County's existing debt previously issued for the benefit of the School System, and (2) funding new expenditures for the benefit of the School System (collectively, the "Project"); and

WHEREAS, the Board of Education hereby agrees to contractually obligate itself and the School System to pay all debt service (principal and interest) on the Proposed School Bonds, and to obligate itself therefore from the date of any such County debt issuance (which may consist of two (2) or more issuances) and continue until the final repayment of the same; and

WHEREAS, the Board of Education, individually and on behalf of the School System wishes to pledge such portion of the Schools System's Basic Education Plan funds ("BEP funds"), its local option sales tax revenues received pursuant to T.C.A. Section 67-6-712 ("Local Option Sales Tax funds"), and all of its other legally available funding sources (collectively, with the BEP funds and the Local Option Sales Tax funds, the "Pledged School Funds") toward the payment of all debt service on the Proposed School Bonds, via timely, periodic fund transfer to the County's General Debt Service Fund; and

WHEREAS, Board of Education has determined that, pursuant to Tennessee Code Annotated Title 12, Chapter 9 (the "Interlocal Cooperation Act"), the County, its Board of Commissioners, the School System and the Board of Education should enter into a "Interlocal Agreement" for the purpose of memorializing the Board of Education's and School System's agreement to fund all debt service on the Proposed School Bonds and to set forth the County and the Board of Commissioners mutual obligations to apply all such funds received from the School System only for the timely payment of the principal and interest due on Proposed School Bonds.

NOW, THEREFORE, BE IT RESOLVED by the McNairy County, Tennessee, Board of Education as follows:

1. The Director of Schools and the Chairperson of the Board of Education are hereby directed and authorized to submit a proposal or proposals to the Board of Commissioners requesting that the County issue the Proposed Schools Bonds in two or more emissions.

2. The Board of Education hereby agrees to a pledge of the Pledge School Funds and authorizes the Board of Commissioners to additionally pledge such funds in connection with the issuance of the Proposed School Bonds.

3. The Director of Schools and Chairman of the Board of Education are hereby directed and authorized to enter into negotiations with the appropriate representatives of the County and the Board of Commissioners in order to memorialize the Schools System's and the Board of Education's pledge of the Pledged School Funds and the reciprocal agreements of the County and Board of Commission, in the form of the draft Interlocal Agreement attached hereto as Exhibit A.

4. The Director of Schools and Chairman of the Board of Education are further authorized to take any other steps necessary to fulfill the terms of the final, executed Interlocal Agreement.

THE MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION

Jarrell Stanfield
JARRELL STANFIELD, Chairperson

STATE OF TENNESSEE

COUNTY OF MCNAIRY

I, Jennifer Hunt, hereby certify that I am the duly elected and qualified Recording Secretary of the McNairy County, Tennessee, Board of Education and as such official I further certify that attached hereto is a true and correct copy of excerpts from the minutes of the meeting of the Board of Education held on Thursday, February 9, 2017, insofar as same pertains to the proceedings in connection with the proposed issuance of not-to-exceed $23,225,000 General Obligation School Bonds, Series 2017 by McNairy County, Tennessee, and the finalization and execution of the Interlocal Agreement.

WITNESS my signature and official seal this the 9th day of February, 2017.

(SEAL)

Jennifer Hunt

<u>Exhibit A</u>

<u>to</u>

<u>2-9-2017 Resolution of the McNairy County, Tennessee Board of Education</u>

INTERLOCAL AGREEMENT

BETWEEN:

MCNAIRY COUNTY, TENNESSEE (THE "COUNTY"),

THE MCNAIRY COUNTY, TENNESSEE BOARD OF COUNTY COMMISSIONERS (THE "BOARD OF COMMISSIONERS"),

THE MCNAIRY COUNTY SCHOOL SYSTEM (THE "SCHOOL SYSTEM"),

AND

THE MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION (THE "BOARD OF EDUCATION")

This **INTERLOCAL AGREEMENT** (this "Agreement") is executed by and among (1) the **COUNTY** (a political subdivision of the State of Tennessee); (2) the **BOARD OF COMMISSIONERS (**the County's Governing Body); (3) the **SCHOOL SYSTEM** (a division of the County); and (4) the **BOARD OF EDUCATION** (the independently-elected, local education agency existing pursuant to the laws of the State of Tennessee for the purpose of operating the School System in and for the County, and the Governing Body of the School System), effective as of the ____ day of [February]/[March], 2017.

WITNESSSETH:

WHEREAS, the Board of Commissioners is acting in its role as the Governing Body of the County, and the Board of Education is acting in its role as the Governing Body of the School System (together, the "Governing Bodies");

WHEREAS, the Governing Bodies have both determined that it is in the best interests of the County and the School System to enter into an "Interlocal Agreement" as authorized by Tennessee Code Annotated Title 12, Chapter 9 (the "Interlocal Cooperation Act");

WHEREAS, the County and the School System, pursuant to approval by their Governing Bodies, have further determined that, pursuant to the Interlocal Cooperative Act, the County and the School System should enter into this Agreement for the purpose of memorializing the School System's agreement to fund all debt service on the County's proposed issuance of not-to-exceed $23,225,000 principal amount of debt obligations (the "Proposed School Bonds") which will be issued for the purpose of (1) refunding the County's existing debt previously issued for the benefit of the School System, and (2) funding new expenditures for the benefit of the School System (collectively, the "Project"); and

WHEREAS, the Board of Education has agreed to contractually obligate the School System to pay all debt service (principal and interest) on the Proposed School Bonds, and such obligation shall exist from the date of any such debt issuance (which may consist of two (2) or more issuances) and continue until the final repayment of the same; and

WHEREAS, this Agreement shall set forth the Board of Education's and the School System's agreement to pledge such portion of the Schools System's Basic Education Plan funds ("BEP funds"), its local option sales tax revenues received pursuant to T.C.A. Section 67-6-712 ("Local Option Sales Tax funds"), and all of its other legally available funding sources (collectively, with the BEP funds and the Local Option Sales Tax funds, the "Pledged School Funds") toward the payment of all debt service on the Proposed School Bonds, via timely, periodic fund transfer to the County's General Debt Service Fund.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, and other good and valuable consideration, the County, the Board of Commissioners, the School System and the Board of Education do hereby agree as follows:

I. PURPOSE & AGREEMENT

The purpose of this Agreement is to establish a protocol for, and define the respective responsibilities and obligations of the County, the Board of Commissioners, the School System and the Board of Education with respect to the Board of Commissioners anticipated authorizations for the issuance of the Proposed School Bonds, the County's anticipated issuance of the Proposed School Bonds, and the Board of Education and School System's reciprocal agreement to timely provide the County all necessary funding for the debt service payments on the Proposed School Bonds (to include payment of both principal and interest thereon).

The parties hereby covenant, warrant and agree that should the Board of Commissioners authorize and the County issue the Proposed School Bonds, then the Board of Education and School System hereby agree to be responsible for the repayment of all debt service on said bonds by allocating all or a portion of the Pledged School Funds to the General Debt Service Fund of the County in a sufficient, semi-yearly amount equal to the County's debt service payments owed on the Proposed School Bonds. The County and the Board of Commissioners agree that all such Pledged Schools Funds shall only be used for the repayment of the Proposed Schools Bonds and may not be used for any other purpose.

II. CONTACT PERSONS

It is understood by the parties that the County executes all its orders and directives through its Governing Body and that the School System executes all of its orders and directives through its Board of Education.

Unless otherwise notified in writing to the contrary, the appropriate contact person (the "County Designated Officer") for the County for matters pertaining to this Agreement shall be:

McNairy County, Tennessee Mayor's Office
Attn: Mr. Ronnie Brooks
170 West Court Ave. - Rm 201
Selmer, Tennessee 38375
Ph. (731) 645-3472
Fax (731) 645-3313

Unless otherwise notified in writing to the contrary, the appropriate contact person (the "School System Designated Officer") for the School System for matters pertaining to the Agreement shall be:

McNairy County, Tennessee School System
Attn: Mr. Wayne Henry, Director of Schools
530 Mulberry Ave. - Ste. 2
Selmer, Tennessee 38375
Ph. (731) 645-3267
Fax (731) 645-8085

By notice to other parties hereunder, the County Designated Officers and the School System Designated Officer may designate representatives to carry out the purposes of this Agreement.

All notices given hereunder shall be by U.S. Certified Mail (return receipt requested), or by facsimile, or personal courier with signature upon delivery, or any other traceable method of delivery (such as email with delivery notification, FedEx Express or the United Parcel Service). All notices shall be effective only upon receipt by the addressee at the above addresses or fax numbers.

III. ADMINISTRATION AND RESPONSIBILITIES OF THE PARTIES

It is understood and agreed that this undertaking is pursuant to the Interlocal Cooperation Act which expressly authorizes the County and the School System, pursuant to approval the Governing Bodies, to enter into an interlocal agreement with each other for the purpose of the Project.

A separate entity or administrative body is not created under this Agreement. The County Trustee of the County is hereby designated the responsibility of receipt, disbursement, and accounting of School System funds to the General Debt Service Fund of the County as set forth in this Agreement. The Trustee shall be empowered to transfer funds from the Pledged School Funds to the General Debt Service Fund of the County in order to make timely payments on the debt service for the Proposed School Bonds.

IV. TERMS AND EFFECTIVE DATE

The effective date of this Agreement shall be ______________________, 2017, or the first date on which it has been executed by all parties. This Agreement shall terminate upon the School System's retirement of the Proposed School Bonds, including but not limited to any future debt obligations issued by the County in order to refund all or a part of such Bonds. All present and future County Mayors, Boards of Commissioners, Boards of Education, and any Director of Schools shall be bound by the terms and conditions of this Agreement.

V. AMENDMENTS

This Agreement may be amended only by a writing executed by the authorized representative of the parties to this Agreement.

VI. SEVERABILITY

Should any provision of this Agreement be found to be unconstitutional, or otherwise be contrary to the laws of the State of Tennessee or the United States of America, to the extent that it is reasonably possibly to do so, the remainder of this Agreement shall remain in full forces and effect.

SO EXECUTED AND AGREED AS OF THIS _____ DAY OF [February]/[March], 2017.

MCNAIRY COUNTY, TENNESSE

By: ________________________________

Mr. Ronnie Brooks, County Mayor

______________, Chairperson

THE MCNAIRY COUNTY, TENNESSEE SCHOOL SYSTEM

By:________________________________

Mr. Wayne Henry, Director of Schools

THE MCNAIRY COUNTY, TENNESSEE BOARD OF COUNTY COMMISSIONERS

By:

____

THE MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION

By: ______________________________

_________________,Chairperson

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared **MR. RONNIE BROOKS**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **County Mayor** of **McNairy County, Tennessee**, the within named bargainor, and that being such **County Mayor** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of **McNairy County, Tennessee**.

WITNESS my hand and seal, at office this _____ day of _______________, 2017.

____

NOTARY PUBLIC

My Commission Expires:

____

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared ______________________________, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **Chairperson** of **The McNairy County, Tennessee Board of Commissioners**, the within named bargainor, and that being such **Chairperson** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of **The McNairy County, Tennessee Board of Commissioners**.

WITNESS my hand and seal, at office this _____ day of _______________, 2017.

____

NOTARY PUBLIC

My Commission Expires:

____

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared **WAYNE HENRY**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be **Director of Schools** of the **McNairy County, Tennessee School System**, the within named bargainor, and that being such **Director of Schools** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of the **McNairy County, Tennessee School System**.

WITNESS my hand and seal, at office this _____ day of _______________, 2017.

____

NOTARY PUBLIC

My Commission Expires:

____

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared ______________________________, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **Chairperson** of **The McNairy County, Tennessee Board of Education**, the within named bargainor, and that being such **Chairperson** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of **The McNairy County, Tennessee Board of Education**.

WITNESS my hand and seal, at office this _____ day of _______________, 2017.

____

NOTARY PUBLIC

My Commission Expires:

____

EXHIBIT B

Form of Interlocal Agreement

Amongst the County, the County Commission, the Board of Education and the School System

INTERLOCAL AGREEMENT

BETWEEN:

MCNAIRY COUNTY, TENNESSEE (THE "COUNTY"),

THE COUNTY COMMISSION OF MCNAIRY COUNTY, TENNESSEE (THE "COUNTY COMMISSION"),

THE MCNAIRY COUNTY SCHOOL SYSTEM (THE "SCHOOL SYSTEM"),

AND

THE MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION (THE "BOARD OF EDUCATION")

This **INTERLOCAL AGREEMENT** (this "Agreement") is executed by and among (1) the **COUNTY** (a political subdivision of the State of Tennessee); (2) the **COUNTY COMMISSION (**the County's legislative and governing body); (3) the **SCHOOL SYSTEM** (a division of the County); and (4) the **BOARD OF EDUCATION** (the independently-elected, local education agency existing pursuant to the laws of the State of Tennessee for the purpose of operating the School System in and for the County, and the governing body of the School System), effective as of the ____ day of [February]/[March], 2017.

WITNESSSETH:

WHEREAS, the County Commission is acting in its role as the legislative and governing body of the County, and the Board of Education is acting in its role as the governing body of the School System (together, the "Governing Bodies");

WHEREAS, the Governing Bodies have both determined that it is in the best interests of the County and the School System to enter into an "Interlocal Agreement" as authorized by Tennessee Code Annotated Title 12, Chapter 9 (the "Interlocal Cooperation Act");

WHEREAS, the County and the School System, pursuant to approval by their Governing Bodies, have further determined that, pursuant to the Interlocal Cooperative Act, the County and the School System should enter into this Agreement for the purpose of memorializing the School System's agreement to fund all debt service on the County's proposed issuance of not-to-exceed $23,225,000 principal amount of debt obligations (the "Proposed School Bonds") which will be issued for the purpose of (1) refunding the County's existing debt previously issued for the benefit of the School System, and (2) funding new expenditures for the benefit of the School System (collectively, the "Project"); and

WHEREAS, the Board of Education has agreed to contractually obligate the School System to pay all debt service (principal and interest) on the Proposed School Bonds, and such obligation shall exist from the date of any such debt issuance (which may consist of two (2) or more issuances) and continue until the final repayment of the same; and

WHEREAS, this Agreement shall set forth the Board of Education's and the School System's agreement to pledge such portion of the Schools System's Basic Education Plan funds ("BEP funds"), its local option sales tax revenues received pursuant to T.C.A. Section 67-6-712 ("Local Option Sales Tax funds"), and all of its other legally available funding sources (collectively, with the BEP funds and the Local Option Sales Tax funds, the "Pledged School Funds") toward the payment of all debt service on the Proposed School Bonds, via timely, periodic fund transfer to the County's General Debt Service Fund.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, and other good and valuable consideration, the County, the County Commission, the School System and the Board of Education do hereby agree as follows:

I. PURPOSE & AGREEMENT

The purpose of this Agreement is to establish a protocol for, and define the respective responsibilities and obligations of the County, the County Commission, the School System and the Board of Education with respect to the County Commission's anticipated authorizations for the issuance of the Proposed School Bonds, the County's anticipated issuance of the Proposed School Bonds, and the Board of Education and School System's reciprocal agreement to timely provide the County all necessary funding for the debt service payments on the Proposed School Bonds (to include payment of both principal and interest thereon).

The parties hereby covenant, warrant and agree that should the County Commission authorize and the County issue the Proposed School Bonds, then the Board of Education and School System hereby agree to be responsible for the repayment of all debt service on said bonds by allocating all or a portion of the Pledged School Funds to the General Debt Service Fund of the County in a sufficient, semi-yearly amount equal to the County's debt service payments owed on the Proposed School Bonds. The County and the County Commission agree that all such Pledged Schools Funds shall only be used for the repayment of the Proposed Schools Bonds and may not be used for any other purpose.

II. CONTACT PERSONS

It is understood by the parties that the County executes all its orders and directives through its Governing Body and that the School System executes all of its orders and directives through its Board of Education.

Unless otherwise notified in writing to the contrary, the appropriate contact person (the "County Designated Officer") for the County for matters pertaining to this Agreement shall be:

McNairy County, Tennessee Mayor's Office
Attn: Mr. Ronnie Brooks
170 West Court Ave. - Rm 201
Selmer, Tennessee 38375
Ph. (731) 645-3472
Fax (731) 645-3313

Unless otherwise notified in writing to the contrary, the appropriate contact person (the "School System Designated Officer") for the School System for matters pertaining to the Agreement shall be:

McNairy County, Tennessee School System
Attn: Mr. Wayne Henry, Director of Schools
530 Mulberry Ave. - Ste. 2
Selmer, Tennessee 38375
Ph. (731) 645-3267
Fax (731) 645-8085

By notice to other parties hereunder, the County Designated Officers and the School System Designated Officer may designate representatives to carry out the purposes of this Agreement.

All notices given hereunder shall be by U.S. Certified Mail (return receipt requested), or by facsimile, or personal courier with signature upon delivery, or any other traceable method of delivery (such as email with delivery notification, FedEx Express or the United Parcel Service). All notices shall be effective only upon receipt by the addressee at the above addresses or fax numbers.

III. ADMINISTRATION AND RESPONSIBILITIES OF THE PARTIES

It is understood and agreed that this undertaking is pursuant to the Interlocal Cooperation Act which expressly authorizes the County and the School System, pursuant to approval the Governing Bodies, to enter into an interlocal agreement with each other for the purpose of the Project.

A separate entity or administrative body is not created under this Agreement. The County Trustee of the County is hereby designated the responsibility of receipt, disbursement, and accounting of School System funds to the General Debt Service Fund of the County as set forth in this Agreement. The Trustee shall be empowered to transfer funds from the Pledged School Funds to the General Debt Service Fund of the County in order to make timely payments on the debt service for the Proposed School Bonds.

IV. TERMS AND EFFECTIVE DATE

The effective date of this Agreement shall be ______________________, 2017, or the first date on which it has been executed by all parties. This Agreement shall terminate upon the School System's retirement of the Proposed School Bonds, including but not limited to any future debt obligations issued by the County in order to refund all or a part of such Bonds. All present and future County Mayors, Boards of Commissioners, Boards of Education, and any Director of Schools shall be bound by the terms and conditions of this Agreement.

V. AMENDMENTS

This Agreement may be amended only by a writing executed by the authorized representative of the parties to this Agreement.

VI. SEVERABILITY

Should any provision of this Agreement be found to be unconstitutional, or otherwise be contrary to the laws of the State of Tennessee or the United States of America, to the extent that it is reasonably possibly to do so, the remainder of this Agreement shall remain in full forces and effect.

SO EXECUTED AND AGREED AS OF THIS _____ DAY OF [February]/[March], 2017.

MCNAIRY COUNTY, TENNESSE

By: ___________________________________
Mr. Ronnie Brooks, County Mayor

THE MCNAIRY COUNTY, TENNESSEE SCHOOL SYSTEM

By: ___________________________________
Mr. Wayne Henry, Director of Schools

THE COUNTY COMMISSION OF MCNAIRY COUNTY, TENNESSEE

By:
____
______________, Chairperson

THE MCNAIRY COUNTY, TENNESSEE BOARD OF EDUCATION

By: ________________________________
__________________,Chairperson

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared **MR. RONNIE BROOKS**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **County Mayor** of **McNairy County, Tennessee**, the within named bargainor, and that being such **County Mayor** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of **McNairy County, Tennessee**.

WITNESS my hand and seal, at office this _____ day of _______________, 2017.

____

NOTARY PUBLIC

My Commission Expires:

____

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared ______________________________, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **Chairperson** of **The County Commission of McNairy County, Tennessee**, the within named bargainor, and that being such **Chairperson** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of **The County Commission of McNairy County, Tennessee**.

WITNESS my hand and seal, at office this _____ day of _______________, 2017.

____

NOTARY PUBLIC

My Commission Expires:

____

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared **WAYNE HENRY**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be **Director of Schools** of the **McNairy County, Tennessee School System**, the within named bargainor, and that being such **Director of Schools** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of the **McNairy County, Tennessee School System**.

WITNESS my hand and seal, at office this _____ day of _______________, 2017.

____

NOTARY PUBLIC

My Commission Expires:

____

STATE OF TENNESSEE

COUNTY OF MCNAIRY

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared ______________________________, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themself to be the **Chairperson** of **The McNairy County, Tennessee Board of Education**, the within named bargainor, and that being such **Chairperson** and being authorized so to do, executed the foregoing instrument for the purposes therein contained, on behalf of **The McNairy County, Tennessee Board of Education**.

WITNESS my hand and seal, at office this _____ day of _______________, 2017.

____

NOTARY PUBLIC

My Commission Expires:

____

STATE OF TENNESSEE:

COUNTY OF MCNAIRY:

I, Ronnie Price, hereby certify that I am the duly appointed and qualified County Clerk of McNairy County, Tennessee and as such official, I hereby certify that the foregoing is a true and correct copy of excerpts from the minutes of the meeting of the County Commission of McNairy County, Tennessee held on Monday, March 13, 2017, insofar as the same pertains to the proceedings in connection the Board of Education's and the School System's requested issuance of not-to-exceed $23,225,000 General Obligation School Bonds, Series 2017 of McNairy County, Tennessee, and the County Commission's approval of an Interlocal Agreement between the County Commission, the County, the Board of Education and the School System.

Witness my signature this 13th day of March, 2017.

Ronnie Price

County Clerk

(Seal)

APPENDIX E

BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $515, million, $87.7 million and $427.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos**.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. This Policy is being issued under and pursuant to, and shall be construed under and governed by, the laws of the State of New York, without regard to conflict of law provisions. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)