

## OFFICIAL STATEMENT

*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.)*

**\$1,730,000**
**HAYWOOD COUNTY, TENNESSEE**  
**General Obligation School Bonds, Series 2018**

Dated: March 29, 2018.

Due: March 1 (as shown below)

The \$1,730,000 General Obligation School Bonds, Series 2018 (the “Bonds”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on September 1, 2018 and thereafter on each March 1 and September 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. See section entitled “SECURITIES OFFERED – Security”.

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



The Bonds maturing on or after March 1, 2025 are subject to optional redemption prior to maturity on or after March 1, 2024 as described herein.

Due (March 1)		Interest Amount*	Rate	Yield	CUSIP**
2022	\$	80,000	4.00%	2.10%	421362 GW8
2023		80,000	4.00	2.25	421362 GX6
\$	170,000	3.000%	Term Bond Due March 1, 2025 @ 2.450%		c 421362 GZ1
\$	180,000	3.000%	Term Bond Due March 1, 2027 @ 2.700%		c 421362 HB3
\$	290,000	3.000%	Term Bond Due March 1, 2030 @ 3.000%		c 421362 HE7
\$	210,000	3.250%	Term Bond Due March 1, 2032 @ 3.100%		c 421362 HG2
\$	225,000	3.250%	Term Bond Due March 1, 2034 @ 3.250%		421362 HJ6
\$	240,000	3.375%	Term Bond Due March 1, 2036 @ 3.375%		c 421362 HL1
\$	255,000	3.375%	Term Bond Due March 1, 2038 @ 3.375%		c 421362 HN7

c = Yield to call on March 1, 2024.

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by 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 Michael Banks, Brownsville, Tennessee, County Attorney. It is expected that the Bonds will be available for delivery through the facilities of DTC New York, New York, on or about March 29, 2018.

**Cumberland Securities Company, Inc.**

*Financial Advisor*

March 5, 2018

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

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

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

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

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

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

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 D – 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.

## HAYWOOD COUNTY, TENNESSEE

### OFFICIALS

*County Mayor*  
*County Clerk*  
*County Attorney*

A. Franklin Smith  
Sonya Castellaw  
Michael Banks

### BOARD OF COUNTY COMMISSIONERS

Joe Barden	James Morgan
Becky Booth	Dell Phillips
Link Carlton	Allan O'Quinn
Wally Eubanks	Jefferey Richmond
John P. Gorman, Jr.	Janice Rogers
Robert Green	Freddy Smith
Sheronda Green	Jerry L. Smith
Richard Jameson	Larry Stanley
Leonard Jones	Joe Stephens
Allen King	Marjorie Vaultx

### UNDERWRITER

Raymond James & Associates, Inc.

### BOND COUNSEL

Glankler Brown, PLLC  
Memphis, Tennessee

### BOND REGISTRATION AND PAYING AGENT

Regions Bank  
Nashville, Tennessee

### FINANCIAL ADVISOR

Cumberland Securities Company, Inc.  
Knoxville, Tennessee



## TABLE OF CONTENTS

<b>SUMMARY STATEMENT</b> .....	i
<b>SECURITIES OFFERED</b>	
Authority and Purpose .....	1
Description of the Bonds .....	1
Security .....	1
Municipal Bond Insurance.....	2
Optional Redemption.....	2
Mandatory Redemption .....	2
Notice of Redemption.....	4
Payment of Bonds .....	4
<b>BASIC DOCUMENTATION</b>	
Registration Agent .....	5
Book-Entry-Only System .....	5
Discontinuance of Book-Entry-Only System.....	7
Disposition of Bond Proceeds .....	8
Discharge and Satisfaction of Bonds .....	9
Remedies of Bondholders.....	10
<b>LEGAL MATTERS</b>	
Litigation.....	11
Tax Matters	
<i>Federal</i> .....	11
<i>State</i> .....	13
Changes in Federal and State Law.....	13
Closing Certificates.....	13
Approval of Legal Proceedings .....	14
<b>MISCELLANEOUS</b>	
Rating .....	15
Competitive Public Sale.....	15
Financial Advisor; Related Parties; Other .....	15
Additional Debt.....	17
Debt Limitations .....	17
Debt Record .....	17
Continuing Disclosure .....	17
<i>Five-Year Summary</i> .....	17
<i>Content of Annual Report</i> .....	18
<i>Reporting of Significant Events</i> .....	18
<i>Termination of Reporting Obligation</i> .....	20
<i>Amendment; Waiver</i> .....	20
<i>Default</i> .....	20
Additional Information .....	21
<b>CERTIFICATION OF ISSUER</b> .....	22

### APPENDIX A: LEGAL OPINION

### APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

## **General Information**

Location.....	B-1
General .....	B-1
Transportation.....	B-1
Education.....	B-1
Healthcare.....	B-2
Power Production .....	B-2
Manufacturing and Commerce .....	B-3
<i>Major Employers</i> .....	B-4
Employment Information .....	B-4
Economic Data .....	B-5
Recreation.....	B-5
Recent Developments .....	B-6

## **Debt Structure**

Summary of Bonded Indebtedness .....	B-7
Indebtedness and Debt Ratios	
<i>Introduction</i> .....	B-8
<i>Indebtedness</i> .....	B-8
<i>Property Tax Base</i> .....	B-8
<i>Debt Ratios</i> .....	B-9
<i>Per Capita Ratios</i> .....	B-9
Debt Service Requirements .....	B-10

## **Financial Operations**

Basis of Accounting and Presentation .....	B-11
Fund Balances and Retained Earnings .....	B-11
Five-Year Summary of Revenues, Expenditures and	
Changes in Fund Balances– General Fund .....	B-12
Investment and Cash Management Practices .....	B-13
Real Property Assessment, Tax Levy and Collection Procedures	
<i>State Taxation of Property</i> .....	B-13
<i>County Taxation of Property</i> .....	B-14
<i>Assessment of Property</i> .....	B-14
<i>Periodic Reappraisal and Equalization</i> .....	B-15
<i>Valuation for Property Tax Purposes</i> .....	B-16
<i>Certified Tax Rate</i> .....	B-16
<i>Tax Freeze for the Elderly Homeowners</i> .....	B-17
<i>Tax Collection and Tax Lien</i> .....	B-17
<i>Assessed Valuations</i> .....	B-18
<i>Property Tax Rates and Collections</i> .....	B-18
<i>Ten Largest Taxpayers</i> .....	B-19
Pension Plan .....	B-19

## **APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS**

## **APPENDIX D: BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

## 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 .....	Haywood County, Tennessee (the “County” or “Issuer”). See the section entitled “Supplemental Information Statement” for more information.
Securities Offered .....	\$1,730,00 General Obligation School Bonds, Series 2018 (the “Bonds”) of the County, dated the date of delivery March 29, 2018. The Bonds will mature each March 1 beginning March 1, 2022, March 1, 2023, March 1, 2025, March 1, 2027, March 1, 2030, March 1, 2032, March 1, 2034, March 1, 2036 and March 1, 2038. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
Security .....	The Bonds shall be payable from unlimited <i>ad valorem</i> taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.
Purpose .....	The Bonds are being issued for the purposes of providing funds to finance: (i) to purchase property for school purposes; (ii) to purchase sites for school buildings; (iii) to erect or repair school buildings, including certain energy efficient school improvements and other school renovations; (iv) to furnish and equip school buildings; (v) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (vi) payment of costs incident to the issuance and sale of the bonds.
Optional Redemption .....	The Bonds are subject to optional redemption prior to maturity on or after March 1, 2024, 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.)
Bank Qualification .....	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating .....	Standard & Poor’s: BAM Insured “AA”. Standard & Poor’s underlying rating: “A+”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Underwriter .....	Raymond James & Associates, 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-Only System”

Registration Agent.....Regions Bank, Nashville, Tennessee.

General .....The Bonds are being issued in full compliance with applicable provisions of Title 49, Chapter 31, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

Disclosure .....In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”) established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled “MISCELLANEOUS - Continuing Disclosure” for additional information.

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 this *Official Statement* contact A. Franklin Smith, County Mayor, 1 N. Washington, Brownsville, TN 38012, Telephone: (731) 658-3266, or the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508 Knoxville, Tennessee 37933, Telephone: (865) 988-2663.

**GENERAL FUND BALANCES**  
**Summary of Changes In Fund Balances**  
For the Fiscal Year Ended March 29

	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>Unaudited 2017</b></u>
Beginning Fund Balance	\$1,944,967	\$2,714,772	\$2,987,958	\$3,505,511	\$2,556,103	\$1,820,268
Revenues	10,856,049	10,658,089	10,878,936	10,658,819	10,874,250	11,739,512
Expenditures	10,109,961	10,493,488	10,547,387	11,619,377	11,851,811	11,559,876
Excess (Deficiency) of						
Revenues Over Expenditures	746,088	164,601	331,549	(960,558)	(977,561)	179,636
Capital Leases Issued	3,092	100,085	-	-	-	-
Insurance Recovery	20,625	-	186,004	11,150	241,726	23,589
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<u><b>\$2,714,772</b></u>	<u><b>\$2,987,958</b></u>	<u><b>\$3,505,511</b></u>	<u><b>\$2,556,103</b></u>	<u><b>\$1,820,268</b></u>	<u><b>\$2,300,993</b></u>

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



**\$1,730,000**  
**HAYWOOD 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 Haywood County, Tennessee (the “County” or “Issuer”) of \$1,730,000 General Obligation School Bonds, Series 2018 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 49, Chapter 31, *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 January 22, 2018.

The Bonds are being issued for the purposes of providing funds to finance: (i) to purchase property for school purposes; (ii) to purchase sites for school buildings; (iii) to erect or repair school buildings, including certain energy efficient school improvements and other school renovations; (iv) to furnish and equip school buildings; (v) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (vi) payment of costs incident to the issuance and sale of the bonds.

**DESCRIPTION OF THE BONDS**

The Bonds will be dated and bear interest from their date of issuance and delivery March 29, 2018. Interest on the Bonds will be payable semi-annually on March 1 and September 1, commencing September 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**

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

The County, through its governing body, shall annually levy and collect a tax on all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay the

principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

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

## **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 D - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

## **OPTIONAL REDEMPTION**

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

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

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

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

## **MANDATORY REDEMPTION**

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing March 1, 2025, March 1, 2027, March 1, 2030, March 1, 2032, March 1, 2034, March 1, 2036 and March 1, 2038 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a within a maturity 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:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
March 1, 2025	March 1, 2024	\$ 85,000
	March 1, 2025*	\$ 85,000
March 1, 2027	March 1, 2026	\$ 90,000
	March 1, 2027*	\$ 90,000
March 1, 2030	March 1, 2028	\$ 95,000
	March 1, 2029	\$ 95,000
	March 1, 2030*	\$100,000
March 1, 2032	March 1, 2031	\$105,000
	March 1, 2032*	\$105,000
March 1, 2034	March 1, 2033	\$110,000
	March 1, 2034*	\$115,000
March 1, 2036	March 1, 2035	\$120,000
	March 1, 2036*	\$120,000
March 1, 2038	March 1, 2037	\$125,000
	March 1, 2038*	\$130,000

\*Final Maturity

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

such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

## **NOTICE OF REDEMPTION**

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

## **PAYMENT OF BONDS**

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the 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 Registrar, Regions Bank, Nashville, Tennessee, its successor or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Bond Registrar, except as follows.

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

### BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Bond Registrar and the Financial Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or

registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Bond Registrar or the Financial Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

## **DISPOSITION OF BOND PROCEEDS**

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

- (a) all accrued interest, if any, shall be deposited to the appropriate fund of the County to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
- (b) the County shall pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds; and
- (c) the remainder of the proceeds of the sale of the Bonds shall be deposited by the County Trustee in a special fund to be known as the 2018 School Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the County. The funds in the School Construction Fund shall be disbursed solely to pay the costs of the Project. 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 a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by the Resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be used to pay principal of and interest on the Bonds. Moneys in the Construction Fund shall be invested at the direction of the County Trustee in such investments as shall be permitted by applicable law.

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## **DISCHARGE AND SATISFACTION OF BONDS**

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

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

### 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 Tax Law" below.

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

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

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

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

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

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup

withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **State Taxes**

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

### **CHANGES IN FEDERAL AND STATE TAX LAW**

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

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

### **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the

*Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain 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 ratings reflect 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 March 5, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated February 22, 2018.

The successful bidder for the Bonds was an account led by Raymond James & Associates, Inc., (the “Underwriters”) who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$1,725,497.94 (consisting of the par amount of the Bonds, plus a reoffering premium of \$21,924.50, and less an underwriter’s discount of \$19,976.56 and a bond insurance premium paid by the Underwriter of \$6,450.00) or 99.740% 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 affiliated 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 also 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 the issuance of a \$3,000,000 Energy Efficient School Initiative (EESI) Loan with the State of Tennessee. Additionally the County has ongoing needs that may or may not require the issuance of debt.

## **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 Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12"). The District 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 some transaction were made or made in a timely manner as required by Rule 15c2-12. The County does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the County, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-7;
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-8 and B-9;
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-10;
4. The fund balances and retained earnings for the fiscal year as shown on page B-11;
5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-12;
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-18;
7. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-18; and
8. The ten largest taxpayers as shown on page B-19.

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 each of the Repositories 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/ A. Franklin Smith  
County Mayor

ATTEST:

/s/ Sonya Castellaw  
County Clerk





## **APPENDIX A**

### **LEGAL OPINION**



[LETTERHEAD OF GLANKLER BROWN, PLLC]

March 29, 2018

Board of County Commissioners  
of Haywood County, Tennessee  
1 N. Washington  
Brownsville, Tennessee 38012

Re: \$1,730,000 General Obligation School Bonds, Series 2018 of Haywood County,  
Tennessee

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Haywood County, Tennessee (the "County"), of \$1,730,000 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 and in Paragraph 4 below, 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.

4. The Bonds have been designated by the County as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

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

Haywood County (the “County”) is located in the western portion of the State of Tennessee. The County is bordered to the east by Madison County and to the west by Tipton County and Lauderdale County. Crockett County makes up most of the northern border of Haywood County with counties of Fayette and Hardeman comprising the border to the south. Brownsville (the “City”) is the largest city within the County and is located 55 miles northeast of Memphis.

### GENERAL

The approximate land area of the County is 341,600 acres, or 519 square miles, is about 25% larger than the average-sized county in the State of Tennessee. The largest industry in the County is agriculture. Haywood County is recognized as the leading cotton producer in the State. In addition, the County produces large quantities of soybeans, corn, hay and garden vegetables.

The governing board of the County is the 20-member Board of County Commissioners which is elected to concurrent four-year terms of office. The County Executive is the chief financial and administrative officer of the County and is elected by a direct vote of the people to a four-year term of office.

### TRANSPORTATION

Located along Interstate 40, Haywood County's central location provides its residents, industries, and visitors access to various modes of transportation. Interstate 40, which connects the east coast with the west, crosses directly through Haywood County. US 70 and 70A cross the county east to west with US 79 running north and south. Several state routes also serve the area. The CSX Railroad provides daily service to Norfolk Southern Railroad at Humboldt. The nearest port is 60 miles away in Memphis.

McKellar Sipes Regional Airport is located 22 miles east of Haywood County. The regional airport is served by Northwest Airlink which can connect commuters with almost all the major airlines. Just 50 miles southwest of Haywood County is Memphis International Airport. This airport is served by American, Delta, Northwest, Southwest, USAir, United, KLM.

### EDUCATION

The *Haywood County School System* has nine schools: six elementary schools, one middle school and two high schools. The fall 2015 enrollment was 3,137 students with 219 teachers. Director of Schools, who answers to the five members who serve as Haywood County Schools Board members, manages the school system.

*Source:* Tennessee Department of Education.

*The Tennessee Technology Center at Whiteville.* The Tennessee Technology Center at Whiteville 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 Whiteville serves the southwest region of the state including Hardeman, Haywood and Fayette Counties. The Technology Center at Whiteville began operations in 1976, and the main campus is located in Hardeman County. Fall 2015 enrollment was 557 students.

*Source:* Tennessee Technology Center at Whiteville.

Within a one-hour drive of Haywood County, the University of Memphis, Christian Brothers University, Rhodes College, State Technical Institute, LeMoyne Owen College and Shelby State Community College are located in Memphis. Union University, Lambuth University, Lane College and Jackson State Community College are located in Jackson, Tennessee.

## **HEALTHCARE**

*Haywood Park Community Hospital* is a 62-bed facility in Brownsville. Specialties represented by physicians at the facility include: cardiology, gastroenterology, internal medicine, nephrology, orthopedics, podiatry and urology. The facility offers a full range of services including 24-hour emergency care, imaging services, general surgery services, a gastroenterology laboratory, hematology/oncology services, occupational medicine, orthopedics, pediatrics, physical and respiratory therapy and more. Haywood Park is affiliated with Community Health Systems (the "CHS") which 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 more than 110 hospitals in 28 states, with an aggregate of more than 17,000 licensed beds. There are eleven CHS hospitals in Tennessee.

*Source:* Community Health Systems.

## **POWER PRODUCTION**

*Lagoon Creek Combustion Turbine Plant.* Tennessee Valley Authority's ("TVA") Lagoon Creek Combustion Turbine Plant is located in Haywood County. Construction at Lagoon Creek was completed in 2001. Lagoon Creek has 12 combustion turbine generating units. The generating capacity of Lagoon Creek is 1,020 megawatts. Lagoon Creek, which occupies 181 acres in the midst of Tennessee farm country, is expected to help TVA meet the rapidly growing peak demands for power that occur in summertime.

Combustion turbines operate on the same general principle as a jet engine. Air enters at the front of the unit and is compressed, mixed with natural gas or oil, and ignited. The hot gas then expands through turbine blades to turn the generator and produce electricity. Combustion turbines can run on natural gas or low-sulfur fuel oil and are designed to start quickly to meet the demand for electricity during peak operating periods. The units at Lagoon Creek can reach full power in just 20 minutes. The plant site was chosen because it's close to several natural-gas pipelines and TVA transmission lines. Combustion turbines are the most popular type of new generating equipment, accounting for 95 percent of the 300,000 megawatts of new power capacity announced for completion nationwide between 2000 and 2008.



State-of-the-art emission controls and noise management make the Lagoon Creek units more environmentally friendly than older types. When the units run on natural gas, nitrous-oxide emissions are less than 10 percent of what they were 30 years ago. When they run on oil, emissions are less than 20 percent of former levels.

*Source:* Tennessee Valley Authority.

## **MANUFACTURING AND COMMERCE**

Haywood County benefits from a diversified economy that successfully blends tourism, retail, agriculture and industry. Personal income is not dominated by any one source. The area also benefits from its central location in “the heart of the Tennessee Delta.” This location not only provides easy access to and from major roadways, but allows employers to draw from a large labor market which spans seven counties.

*Haywood County Industrial Park.* The largest industrial park in the County is the Haywood County Industrial Park, which offers over 150 acres fully infra structured for the needs of industry. The Brownsville Utility Department provides full utilities at competitive rates. Electricity, natural gas, water and wastewater services are available.

*I-40 Advantage Auto Park.* In 2008 a 1,700+-acre site in the county has been certified as a “megasite” or large industrial property suitable for a major automotive manufacturing facility or related industry. The Haywood County site, known as the I-40 Advantage Auto Park, is located north of Interstate 40, 20 minutes east of the Memphis, Tennessee, suburbs. The site is easily accessible from Memphis, Bartlett, Collierville, Germantown, Jackson and other West Tennessee cities. The site is bounded on the north by U. S. Highway 70/79 and CSX Railroad and on the south by Interstate 40.

*Source:* The Jackson Sun Fact Book.

*Memphis Regional Megasite.* The infrastructure for the 4,100-acre Memphis Regional Megasite, which is located along I-40 in Fayette and Haywood counties, was completed in 2016 and cost \$106 million. The megasite is a "shovel-ready" site marketed for large-scale industrial developments that generates jobs and corporate investment. See “RECENT DEVELOPMENTS” for more information.

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

### Major Employers in Haywood County

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Teknor Apex/Haywood Co.	Garden Hoses, Tread Rubber	610
LASCO Fittings, Inc.	Plastic Pipe Fittings	500
Wal-Mart Super Center	Retail	200
City of Brownsville	Government	120
Dynametal Technologies	Metal Bearings	120
Haywood Park Community Hospital	Healthcare	115
Pictsweet	Frozen Food Distribution	100
Precision Coils	Coils	100
Cascades / IFC Disposables	Disposable Wipes, Tissues	60
Simmco	Propane Tanks	60
Home Improvement Warehouse	Wood Products Distribution	50
Domitar Paper Co.	Cut Sheet Paper	38
Plastic Container Corp	Plastic Containers	35
Pallet Source	Wooden Pallets	33

Source: West Tennessee Industrial Association - 2017.

### EMPLOYMENT INFORMATION

Unemployment in the Haywood County as of October 2017 stood at 4.3%, representing 7,510 persons employed out of a labor force of 7,850. The chart below depicts unemployment trends in the County for the last five years.

#### Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	8.2%	6.5%	5.8%	4.8%
<b>Haywood County</b>	<b>11.2%</b>	<b>11.8%</b>	<b>10.9%</b>	<b>8.6%</b>	<b>6.6%</b>
Index vs. National	138	159	176	162	135
Index vs. State	139	144	168	148	138

Source: Tennessee Department of Labor and Workforce Development.

## ECONOMIC DATA

Haywood County's relative orientation towards an agriculturally-base economy has resulted in lower per capita income averages than the average for the State of Tennessee. However, the growth rate, as depicted by the relatively constant relationship of the County's per capita income versus the State levels, has kept up with the growth in personal income throughout the State of Tennessee.

### Per Capita Personal Income

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	\$42,453	\$44,267	\$44,462	\$46,414	\$48,112
Tennessee	\$37,452	\$38,771	\$38,806	\$40,233	\$42,094
<b>Haywood County</b>	<b>\$29,357</b>	<b>\$29,828</b>	<b>\$32,842</b>	<b>\$28,845</b>	<b>\$28,546</b>
Index vs. National	69	67	74	62	59
Index vs. State	78	77	85	72	68

Source: Bureau of Economic Analysis.

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Haywood County</u>	<u>Brownsville</u>
Median Value Owner Occupied Housing	\$178,600	\$142,100	\$99,100	\$94,400
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	79.0%	79.5%
% Persons with Income Below Poverty Level	13.50%	16.70%	22.5%	26.8%
Median Household Income	\$53,889	\$45,219	\$34,182	\$27,879

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

## RECREATION

*Hatchie National Wildlife Refuge.* Hatchie NWR includes 11,556 acres along the Scenic Hatchie River that is located entirely within Haywood County. It attracts thousands of visitors each year and is located about four miles south of Brownsville. The refuge was established in 1964, primarily to provide habitat (food, water and shelter) for migrating and wintering waterfowl. About 90 percent of the Refuge lies within the floodplain of the Hatchie River. The Hatchie is the last unchannelized river of its type in the Lower Mississippi River Valley and still functions under near normal wetland cycles. About 9,400 acres of bottomland hardwoods are

located on the refuge and are flooded by headwater flows of the Hatchie. The Hatchie NWR provides opportunities for hunting, fishing, photography, and boating.

*Source:* U.S. Fish & Wildlife Service.

## **RECENT DEVELOPMENTS**

*Memphis Regional Megasite.* The infrastructure for the 4,100-acre Memphis Regional Megasite, which is located along I-40 in Fayette and Haywood counties, was completed in 2016 and cost \$106 million. State and local officials began to purchase the land in 2009. Six years later, the megasite is a huge, pre-purchased, "shovel-ready" site marketed for large-scale industrial developments that generates jobs and corporate investment. As of early 2016 no industries have been announced but several companies are looking at the facility.

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**HAYWOOD COUNTY, TENNESSEE**  
**SUMMARY OF LONG TERM INDEBTEDNESS**

<b>AMOUNT ISSUED</b>	<b>PURPOSE</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S)</b>	(1) As of June 30, 2017 <b>OUTSTANDING</b>
\$ 4,425,000	General Obligation Bonds, Series 2008	June 2018	Fixed	\$ 575,000
300,000	General Obligation Bonds, Series 2008 (Landfill)	2024	Fixed	164,548
5,575,000	General Obligation Bonds, Series 2010 (BABs)	June 2030	Fixed	5,575,000
7,225,000	General Obligation Refunding Bonds, Series 2015	June 2028	Fixed	6,750,000
2,000,000	Loan Agreement (EESI Loan)	2022	Zero	1,149,983
1,509,000	Loan Agreement, Series 2011 (TMBF)	May 2027	Fixed	1,108,000
245,000	Capital Outlay Notes, Series 2017 (Issued 10-13-2017)	June 2024	Fixed	245,000
<b>TOTAL BONDED DEBT</b>				
\$ 21,279,000				\$ 15,567,531
\$ 1,730,000	General Obligation School Bonds, Series 2018	March 2038	Fixed	\$ 1,730,000
3,000,000	Loan Agreement (EESI Loan)	2033	Fixed	\$ 3,000,000
<b>NET BONDED DEBT</b>				
\$ 26,009,000				\$ 20,297,531

**NOTES:**

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

**HAYWOOD COUNTY, TENNESSEE**  
INDEBTEDNESS AND DEBT RATIOS

**INTRODUCTION**

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

<b>INDEBTEDNESS</b>	<b>For Fiscal Years Ended June 30</b>				<b>Unaudited 2017</b>	<b>After Issuance 2018</b>
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>		
<b>TAX SUPPORTED</b>						
General Obligation Bonds, Notes & Leases	\$19,844,854	\$18,815,275	\$18,124,357	\$16,962,956	\$15,322,531	\$20,297,531
<b>TOTAL TAX SUPPORTED</b>	<u>\$19,844,854</u>	<u>\$18,815,275</u>	<u>\$18,124,357</u>	<u>\$16,962,956</u>	<u>\$15,322,531</u>	<u>\$20,297,531</u>
<b>TOTAL DEBT</b>	\$19,844,854	\$18,815,275	\$18,124,357	\$16,962,956	\$15,322,531	\$20,297,531
Less: Debt Service Funds	(2,896,605)	(2,744,155)	(2,557,531)	(2,547,364)	(2,547,364)	(2,547,364)
<b>NET DIRECT DEBT</b>	<u>\$16,948,249</u>	<u>\$16,071,120</u>	<u>\$15,566,826</u>	<u>\$14,415,592</u>	<u>\$12,775,167</u>	<u>\$17,750,167</u>

**PROPERTY TAX BASE**

Estimated Actual Value	\$1,270,579,451	\$1,387,673,806	\$1,395,277,149	\$1,400,436,194	\$1,418,556,707	\$1,418,556,707
Appraised Value	1,185,450,628	1,387,673,806	1,395,277,149	1,400,436,194	1,405,505,985	1,405,505,985
Assessed Value	369,919,589	400,910,847	402,337,891	404,078,412	406,060,267	406,060,267

<b>DEBT RATIOS</b>	<b>For Fiscal Years Ended June 30</b>				<b>Unaudited</b>	
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>After Issuance</u></b> <b><u>2018</u></b>
TOTAL DEBT to Estimated Actual Value	1.56%	1.36%	1.30%	1.21%	1.08%	1.43%
TOTAL DEBT to Appraised Value	1.67%	1.36%	1.30%	1.21%	1.09%	1.44%
TOTAL DEBT to Assessed Value	5.36%	4.69%	4.50%	4.20%	3.77%	5.00%
NET DIRECT DEBT to Estimated Actual Value	1.33%	1.16%	1.12%	1.03%	0.90%	1.25%
NET DIRECT DEBT to Appraised Value	1.43%	1.16%	1.12%	1.03%	0.91%	1.26%
NET DIRECT DEBT to Assessed Value	4.58%	4.01%	3.87%	3.57%	3.15%	4.37%
<b>PER CAPITA RATIOS</b>						
POPULATION (1)	18,224	18,185	18,023	17,853	17,853	17,853
PER CAPITA PERSONAL INCOME (2)	\$32,842	\$28,845	\$28,546	\$28,546	\$28,546	\$28,546
Estimated Actual Value to POPULATION	\$69,720	\$76,309	\$77,416	\$78,443	\$79,458	\$79,458
Assessed Value to POPULATION	\$20,298	\$22,046	\$22,324	\$22,634	\$22,745	\$22,745
Total Debt to POPULATION	\$1,089	\$1,035	\$1,006	\$950	\$858	\$1,137
Net Direct Debt to POPULATION	\$930	\$884	\$864	\$807	\$716	\$994
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.32%	3.59%	3.52%	3.33%	3.01%	3.98%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.83%	3.06%	3.03%	2.83%	2.51%	3.48%

(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.

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

F.Y. Ended	Existing G.O. Debt As of October 13, 2017 (1)			Proposed EESI Loan Agreement, Series 2018			General Obligation School Bonds, Series 2018			% 2018 Principal Repaid	Total Bonded Debt Service Requirements (1) (2)			% All Principal Repaid		
	Principal	Interest	Est. Rebate (2)	TOTAL	Principal	Interest (4)	TOTAL	Principal	Interest (3)		TOTAL	Principal	Interest		Est. Rebate (3)	TOTAL
6/30																
2018	\$ 1,303,548	\$ 505,452	\$ (95,425)	\$ 1,713,575	\$ -	\$ -	\$ 1,713,575	\$ -	\$ -	\$ -	0.00%	\$ 1,303,548	\$ 505,452	\$ (95,425)	\$ 1,713,575	6.42%
2019	1,373,462	472,655	(95,425)	1,750,692	169,414	56,250	225,664	-	52,054	52,054		1,542,876	580,959	(95,425)	2,028,409	
2020	1,384,425	447,558	(95,425)	1,736,557	183,205	42,459	225,664	-	56,444	56,444		1,567,630	546,460	(95,425)	2,018,665	
2021	1,420,487	422,174	(95,425)	1,747,235	185,953	39,711	225,664	-	56,444	56,444		1,606,440	518,328	(95,425)	2,029,343	
2022	1,221,428	395,999	(95,425)	1,522,001	188,742	36,921	225,664	80,000	56,444	136,444	4.62%	1,490,170	489,364	(95,425)	1,884,109	37.00%
2023	1,208,510	361,914	(88,791)	1,481,632	191,573	34,090	225,663	80,000	53,244	133,244		1,480,083	449,248	(88,791)	1,840,539	
2024	1,088,671	325,631	(81,646)	1,332,656	194,447	31,217	225,664	85,000	50,044	135,044		1,368,118	406,891	(81,646)	1,693,363	
2025	1,056,000	286,679	(74,155)	1,268,524	197,364	28,300	225,664	85,000	47,494	132,494		1,338,364	362,473	(74,155)	1,626,682	
2026	1,095,000	248,272	(66,311)	1,276,961	200,324	25,340	225,664	90,000	44,944	134,944		1,385,324	318,555	(66,311)	1,637,568	
2027	1,126,000	208,290	(58,110)	1,276,180	203,329	22,335	225,664	90,000	42,244	132,244	29.48%	1,419,329	272,868	(58,110)	1,634,087	71.45%
2028	1,040,000	165,645	(49,412)	1,156,233	206,379	19,285	225,664	95,000	39,544	134,544		1,341,379	224,474	(49,412)	1,516,441	
2029	1,100,000	123,775	(40,202)	1,183,573	209,475	16,189	225,664	95,000	36,694	131,694		1,404,475	176,658	(40,202)	1,540,931	
2030	1,150,000	63,825	(20,730)	1,193,095	212,617	13,047	225,664	100,000	33,844	133,844		1,462,617	110,716	(20,730)	1,552,602	
2031	-	-	-	-	215,806	9,858	225,664	105,000	30,844	135,844		320,806	40,701	-	361,507	
2032	-	-	-	-	219,043	6,621	225,664	105,000	27,431	132,431	58.38%	324,043	34,052	-	358,095	95.36%
2033	-	-	-	-	222,329	3,335	225,664	110,000	24,019	134,019		332,329	27,354	-	359,683	
2034	-	-	-	-	-	-	-	115,000	20,444	135,444		115,000	20,444	-	135,444	
2035	-	-	-	-	-	-	-	120,000	16,706	136,706		120,000	16,706	-	136,706	
2036	-	-	-	-	-	-	-	120,000	12,656	132,656		120,000	12,656	-	132,656	
2037	-	-	-	-	-	-	-	125,000	8,606	133,606	92.49%	125,000	8,606	-	133,606	99.36%
2038	-	-	-	-	-	-	-	130,000	4,388	134,388	100.00%	130,000	4,388	-	134,388	#####
	\$15,567,531	\$ 4,027,868	\$ (956,485)	\$ 18,638,914	\$ 3,000,000	\$ 384,956	\$ 3,384,956	\$ 1,730,000	\$ 714,529	\$ 2,444,529		\$ 20,297,531	\$ 5,127,353	\$ (956,485)	\$ 24,468,399	

**NOTES:**

- (1) The above figures may not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. Does included revenue supported debt and the Capital Outlay Notes, Series 2017, dated and issued October 13, 2017.
- (2) The original federal subsidy of 35.0% on the General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds) has been reduced by 6.6% for the federal fiscal year ending September 30, 2018 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2018, the sequestration rate will be subject to change.
- (3) Average Coupon 3.26%.
- (4) Average Coupon 1.50%.



## 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 fund balances and retained earnings for the five fiscal years ending June 30:

	<u>For the Fiscal Year Ended June 30,</u>				
<u>Fund Type</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<i>Governmental Funds:</i>					
General	\$2,714,772	\$2,987,958	\$ 3,505,511	\$2,556,103	\$1,820,268
Highway/Public Works	3,160,854	3,418,695	3,783,770	3,893,229	4,249,372
General Debt Service	2,686,888	2,896,605	2,744,155	2,557,531	2,547,364
Other Governmental	<u>657,766</u>	<u>403,199</u>	<u>348,506</u>	<u>598,542</u>	<u>241,191</u>
<b>Total</b>	<b><u>\$9,220,280</u></b>	<b><u>\$9,706,457</u></b>	<b><u>\$10,381,942</u></b>	<b><u>\$9,605,405</u></b>	<b><u>\$8,858,195</u></b>
<i>Proprietary Net Assets:</i>					
Solid Waste Disposal	\$(1,193,619)	\$(954,166)	\$(1,063,193)	\$(929,163)	\$(705,963)

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Unaudited 2017</u>
<b>Revenues:</b>						
Local Taxes	\$ 6,503,799	\$ 6,325,143	\$ 6,312,644	\$ 6,016,168	\$ 6,440,281	\$ 6,989,794
Licenses and Permits	23,698	19,987	18,087	23,514	18,900	17,276
Fines, forfeitures and penalties	223,126	283,994	262,130	188,002	213,870	175,784
Charges for current services	1,152,808	1,078,060	1,171,500	1,103,317	1,247,595	1,209,444
Other local revenue	86,875	143,136	113,254	170,572	243,806	199,731
Fees Received from County Officials	1,067,687	1,083,472	995,536	878,397	1,002,122	1,166,215
State of Tennessee	1,064,835	1,091,731	1,248,913	1,427,524	1,178,002	1,128,279
Federal Government	234,637	221,018	226,289	197,939	161,176	75,662
Other Governments & Citizens Groups	498,584	411,548	530,583	653,386	368,498	777,327
<b>Total Revenues</b>	<b>\$ 10,856,049</b>	<b>\$ 10,658,089</b>	<b>\$ 10,878,936</b>	<b>\$ 10,658,819</b>	<b>\$ 10,874,250</b>	<b>\$ 11,739,512</b>
<b>Expenditures:</b>						
General Government	\$ 1,435,530	\$ 1,508,800	\$ 1,489,662	\$ 1,658,569	\$ 1,706,544	\$ 1,628,320
Finance	714,532	689,094	692,390	688,226	695,076	926,029
Administrations of Justice	926,526	900,513	944,989	988,396	1,001,462	1,009,019
Public Safety	3,587,080	3,792,564	3,797,362	4,108,298	4,029,248	4,182,927
Public Health & Welfare	1,455,849	1,534,737	1,602,417	1,971,771	2,208,238	2,039,728
Social, Cultural & Recreational	975,579	1,008,864	1,035,938	1,036,460	1,024,566	869,503
Agricultural & Natural Resources	230,481	229,533	233,137	244,228	235,541	225,219
Other Operations	751,641	761,317	716,169	888,106	867,285	679,130
Highways	-	-	-	-	-	-
Debt Service	32,743	68,066	35,323	35,323	83,851	-
Capital Projects	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 10,109,961</b>	<b>\$ 10,493,488</b>	<b>\$ 10,547,387</b>	<b>\$ 11,619,377</b>	<b>\$ 11,851,811</b>	<b>\$ 11,559,876</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 746,088	\$ 164,601	\$ 331,549	\$ (960,558)	\$ (977,561)	\$ 179,636
<b>Other Sources &amp; Uses:</b>						
Note / Lease Proceeds	\$ 3,092	\$ 100,085	\$ -	\$ -	\$ -	\$ -
Insurance Proceeds	20,625	-	186,004	11,150	241,726	23,589
Sale of Capital Assets	-	8,500	-	-	-	-
Operating Transfers - In	-	-	-	-	-	277,500
Operating Transfers - Out	-	-	-	-	-	-
<b>Total Revenues &amp; Other Sources</b>	<b>\$ 23,717</b>	<b>\$ 108,585</b>	<b>\$ 186,004</b>	<b>\$ 11,150</b>	<b>\$ 241,726</b>	<b>\$ 301,089</b>
Net Change in Fund Balances	\$ 769,805	\$ 273,186	\$ 517,553	\$ (949,408)	\$ (735,835)	\$ 480,725
<b>Fund Balance July 1</b>	<b>1,944,967</b>	<b>2,714,772</b>	<b>2,987,958</b>	<b>3,505,511</b>	<b>2,556,103</b>	<b>1,820,268</b>
Residual Equity Transfers	-	-	-	-	-	-
<b>Fund Balance June 30</b>	<b>\$ 2,714,772</b>	<b>\$ 2,987,958</b>	<b>\$ 3,505,511</b>	<b>\$ 2,556,103</b>	<b>\$ 1,820,268</b>	<b>\$ 2,300,993</b>

Source : Comprehensive Annual Financial Report for Haywood 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 10% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. For reporting purposes, all investments are stated at cost which approximates market value.

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

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

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

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

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

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

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

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

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

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

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

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

### ***Assessment of Property***

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

assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

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

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

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

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

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

### ***Periodic Reappraisal and Equalization***

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an 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 for Tennessee, property in the County reflected a ratio of appraised value to true market value of 0.9908. The following table shows pertinent data for tax year 2016<sup>1</sup>.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Value</u>
Public Utilities	\$ 32,078,222	55%	\$ 73,485,488
Commercial and Industrial	90,112,920	40%	227,374,129
Personal Tangible Property	41,860,575	30%	140,674,347
Residential and Farm	<u>242,008,550</u>	25%	<u>977,022,743</u>
<b>Total</b>	<b><u>\$406,060,267</u></b>		<b><u>\$1,418,556,707</u></b>

<sup>1</sup> The tax year coincides with the calendar year; therefore tax year 2016 is actually fiscal year 2016-2017.

Source: 2016 Tax Aggregate for 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 \$406,060,267 compared to \$404,078,412 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is \$1,418,556,707 compared to \$1,400,436,194 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 2013 through 2017 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2017.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year <sup>2</sup>	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2017 Amount	Pct
2013	\$400,910,847	\$2.3956	\$ 8,879,238	\$ 8,231,256	92.7%	N/A	
2014	402,337,891	2.3956	8,933,844	8,220,708	92.0%	N/A	
2015	404,078,412	2.56	10,344,408	10,001,624	96.7%	N/A	
2016	406,060,267	2.65	10,760,597	10,114,961*	94.0%	\$645,636	6.0%
2017	413,087,136	2.875	11,876,255	IN PROCESS			

\* Estimated

<sup>2</sup> The tax year coincides with the calendar year; therefore tax year 2017 is actually fiscal year 2017-2018.

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

<u><b>Taxpayer</b></u>	<u><b>Business Type</b></u>	<u><b>Assessed Values</b></u>	<u><b>Taxes Levied</b></u>
1. Teknor Apex	Manufacturing	\$19,145,232	\$ 456,806
2. TVA	Beech Grove Rd Plant	Pilot Program	349,712
3. LASCO Fittings, Inc.	Plastic Pipe Fittings	11,399,710	291,110
4. Southwest Electric	Electric Cooperation	Public Utility	188,755
5. ANR Pipeline	Distribution	Public Utility	145,135
6. United Foods Inc	Frozen Food Distribution	4,861,658	128,981
7. CSX Transportation Inc	Railroad	Public Utility	115,942
8. Wal-Mart	Retail	4,057,063	107,512
9. Lowe's	Distribution	2,956,880	78,357
10. The Capline Pipeline System	Pipeline	<u>Public Utility</u>	<u>60,120</u>
<b>TOTAL</b>		<b>\$42,420,543</b>	<b>\$1,922,430</b>

*Source:* The County.

## **PENSION PLANS**

Employees of Haywood 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 Haywood County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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



**GENERAL PURPOSE FINANCIAL STATEMENTS**

HAYWOOD COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Haywood County for the fiscal year ended June 30, 2016 which is available upon request from the County.



**ANNUAL FINANCIAL REPORT**  
**HAYWOOD COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2016**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT  
HAYWOOD COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2016**

**COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON**

**DIVISION OF LOCAL GOVERNMENT AUDIT  
JAMES R. ARNETTE  
Director**

**LEE ANN WEST, CPA, CGFM  
Audit Manager**

**B. KEITH RICE, CGFM  
Auditor 4**

**LAUREN LEWIS  
KELSEY SCHWEITZER  
ELISHA CROWELL, CISA, CFE  
State Auditors**

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

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## HAYWOOD COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	Exhibit	Page(s)
Summary of Audit Findings		6-7
<b><u>INTRODUCTORY SECTION</u></b>		8
Haywood County Officials		9
<b><u>FINANCIAL SECTION</u></b>		10
Independent Auditor's Report		11-14
<b>BASIC FINANCIAL STATEMENTS:</b>		15
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	20-21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	25
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	C-5	26-27
Highway/Public Works Fund	C-6	28
Proprietary Fund:		
Statement of Net Position	D-1	29-30
Statement of Revenues, Expenses, and Changes in Net Position	D-2	31-32
Statement of Cash Flows	D-3	33
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	34
Index and Notes to the Financial Statements		35-93
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		94
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government	F-1	95
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government	F-2	96
Schedule of Contributions Based on Participation in the Teacher Retirement Plan of TCRS – Discretely Presented Haywood County School Department	F-3	97

	Exhibit	Page(s)
Schedule of Contributions Based on Participation in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Haywood County School Department	F-4	98
Schedule of Proportionate Share of the Net Pension Asset in the Teacher Retirement Plan of TCRS – Discretely Presented Haywood County School Department	F-5	99
Schedule of Proportionate Share of the Net Pension Asset in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Haywood County School Department	F-6	100
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Haywood County School Department	F-7	101



## *Summary of Audit Findings*

Annual Financial Report  
Haywood County, Tennessee  
For the Year Ended June 30, 2016

### *Scope*

We have audited the basic financial statements of Haywood County as of and for the year ended June 30, 2016.

### *Results*

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with Haywood 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 Solid Waste Disposal Fund had a deficit in unrestricted net position.
- ◆ Lease-purchase agreements were not issued in compliance with state statutes.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ County officials did not adequately control access to the courthouse offices.
- ◆ The Community Development/Industrial Park Fund had a cash overdraft and a deficit in unassigned fund balance at June 30, 2016.
- ◆ The office used a signature stamp for vendor and payroll checks.
- ◆ The office had deficiencies in computer system backup procedures.

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#### **OFFICE OF CHIEF ADMINISTRATIVE HIGHWAY OFFICER**

- ◆ The Highway Department did not maintain a system to account for materials used on some types of road projects.

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#### **OFFICES OF SOLID WASTE AND CHIEF ADMINISTRATIVE HIGHWAY OFFICER**

- ◆ Duties were not segregated adequately.



## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
- 

## **OFFICE OF TRUSTEE**

- ◆ The trustee paid checks issued by the Community Development/Industrial Park Fund that exceeded available funds.

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## INTRODUCTORY SECTION

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## Haywood County Officials

June 30, 2016

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### Officials

Franklin Smith, County Mayor  
Greg McCarley, Chief Administrative Highway Officer  
Teresa Russell, Director of Schools  
William Howse, Trustee  
Dare Simpson, Assessor of Property  
Sonya Castellaw, County Clerk  
Mary Lonon, Circuit, General Sessions, and Juvenile Courts Clerk  
Sarah Levy, Clerk and Master  
Steve Smith, Register of Deeds  
Melvin Bond, Sheriff

### Board of County Commissioners

Franklin Smith, County Mayor, Chairman  
Joe Barden  
Becky Booth  
Kathy Chapman  
Wally Eubanks  
John Gorman, Jr.  
Robert Green  
Sheronda Green  
Richard Jameson  
Leonard Jones, Jr.  
Allen King

Chris Lea  
James Morgan  
Alan O'Quin  
Jeffrey Richmond  
Janice Rogers  
Freddy Smith  
Jerry Smith  
Larry Stanley  
Joe Stephens  
Marjorie Vaulx

### Highway Commission

Robert English, Jr., Chairman  
Milton Booth  
James Boyd  
George Floyd  
Willie Ross

### Board of Education

Harold Garrett, Chairman  
Allen Currie  
Olivia Farrington  
Harrison Jones  
Greg Vanstory

### Audit Committee

Pam Deen White, Chairman  
Steve Correa  
Lenoard Jones, Jr.  
Greg Vanstory

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## FINANCIAL SECTION

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

**Independent Auditor's Report**

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Haywood County, Tennessee, as of and for the year ended June 30, 2016, 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 Haywood County Utility District. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Haywood County Utility District is based solely on the reports of other auditors. We were unable to determine Haywood County Utility District's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the Haywood 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.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Haywood County, Tennessee, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note V.B., Haywood County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

### ***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 95-102 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 Haywood 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 Haywood 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.

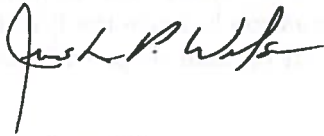
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Haywood County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, 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 Haywood County School Department (a discretely presented component unit), and miscellaneous schedules 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 February 16, 2017, on our consideration of Haywood 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Haywood County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

February 16, 2017

JPW/yu

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# BASIC FINANCIAL STATEMENTS

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**Exhibit A**

**Haywood County, Tennessee**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government			Component Units	
	Governmental	Business-		Haywood	Haywood
	Activities	type		County	County
		Activities	Total	School	Utility
				Department	District
<b><u>ASSETS</u></b>					
Cash	\$ 34,790	\$ 0	\$ 34,790	\$ 0	\$ 337,842
Equity in Pooled Cash and Investments	8,726,250	153,282	8,879,532	4,301,100	0
Accounts Receivable	1,266,952	738,554	2,005,506	21,025	31,921
Allowance for Uncollectibles	(215,240)	(221,386)	(436,626)	0	0
Due from Other Governments	799,240	5,250	804,490	515,084	0
Due from Primary Government	0	0	0	63,183	0
Property Taxes Receivable	7,085,703	0	7,085,703	4,036,101	0
Allowance for Uncollectible Property Taxes	(193,307)	0	(193,307)	(110,109)	0
Net Pension Asset - Teacher Retirement Plan	0	0	0	16,232	0
Capital Assets:					
Assets Not Depreciated:					
Land	4,374,111	235,000	4,609,111	143,868	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	10,280,489	77,439	10,357,928	13,142,713	3,234,297
Infrastructure	6,099,803	0	6,099,803	0	0
Other Capital Assets	3,571,206	309,218	3,880,424	1,242,049	0
Total Assets	\$ 41,829,997	\$ 1,297,357	\$ 43,127,354	\$ 23,371,246	\$ 3,604,060
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Deferred Amount on Refunding	\$ 273,922	\$ 0	\$ 273,922	\$ 0	\$ 0
Pension Changes in Experience	281,324	8,492	289,816	324,231	0
Pension Other Deferrals	0	0	0	1,073	0
Pension Contributions After Measurement Date	627,582	18,930	646,512	1,610,638	0
Total Deferred Outflows of Resources	\$ 1,182,828	\$ 27,422	\$ 1,210,250	\$ 1,935,942	\$ 0
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 241,405	\$ 66,605	\$ 308,010	\$ 16,916	\$ 17,313
Payroll Deductions Payable	81,122	1,664	82,786	639,884	0
Cash Overdraft	4,732	0	4,732	0	0
Retainage Payable	0	0	0	32,490	0
Due to Component Units	51,270	0	51,270	0	0
Due to State of Tennessee	2,909	143	3,052	0	0
Accrued Interest Payable	50,582	0	50,582	0	7,311
Customer Deposits Payable	0	0	0	0	22,835
Noncurrent Liabilities:					
Due Within One Year	1,341,881	81,843	1,423,724	0	12,010
Due in More Than One Year	15,984,350	1,869,333	17,853,683	825,525	412,349
Total Liabilities	\$ 17,758,251	\$ 2,019,588	\$ 19,777,839	\$ 1,514,815	\$ 471,818
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred Current Property Taxes	\$ 6,414,096	\$ 0	\$ 6,414,096	\$ 3,639,346	\$ 0
Pension Changes in Experience	148,570	4,485	153,055	2,227,342	0
Pension Changes in Investment Earnings	220,933	6,669	227,602	1,042,432	0
Pension Other Deferrals	0	0	0	20,737	0
Total Deferred Inflows of Resources	\$ 6,783,599	\$ 11,154	\$ 6,794,753	\$ 6,929,857	\$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Haywood County School Department	Haywood County Utility District
<b><u>NET POSITION</u></b>					
Net Investment in Capital Assets	\$ 10,565,559	\$ 435,436	\$ 11,000,995	\$ 14,528,630	\$ 2,809,938
Restricted for:					
General Government	119,746	0	119,746	0	0
Finance	21,683	0	21,683	0	0
Administration of Justice	410,962	0	410,962	0	0
Public Safety	46,342	0	46,342	0	0
Social, Cultural, and Recreational Services	12,737	0	12,737	0	0
Highway/Public Works	2,217,638	0	2,217,638	0	0
Education	0	0	0	538,847	0
Operation of Non-instructional Services	0	0	0	550,265	0
Capital Projects	48,043	0	48,043	0	0
Debt Service	281,410	0	281,410	0	0
Unrestricted	4,746,855	(1,141,399)	3,605,456	1,244,774	322,304
<b>Total Net Position</b>	<b>\$ 18,470,975</b>	<b>\$ (705,963)</b>	<b>\$ 17,765,012</b>	<b>\$ 16,862,516</b>	<b>\$ 3,132,242</b>

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

Exhibit B

Haywood County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Primary Government			Component Units	
						Governmental Activities	Business-type Activities	Total	Haywood County School Department	Haywood County Utility District
Primary Government:										
Governmental Activities:										
General Government	\$ 964,982	\$ 143,142	\$ 21,103	\$ 0	\$ (800,737)	\$ 0	\$ (800,737)	\$ 0	\$ 0	0
Finance	912,368	582,914	18,095	0	(311,359)	0	(311,359)	0	0	0
Administration of Justice	1,189,929	762,344	18,585	0	(409,000)	0	(409,000)	0	0	0
Public Safety	5,019,132	932,680	80,277	40,500	(3,965,675)	0	(3,965,675)	0	0	0
Public Health and Welfare	3,593,333	2,020,850	70,998	1,023,025	(478,460)	0	(478,460)	0	0	0
Social, Cultural, and Recreational Services	1,203,282	38,938	262,898	34,215	(867,231)	0	(867,231)	0	0	0
Agriculture and Natural Resources	242,754	0	0	0	(242,754)	0	(242,754)	0	0	0
Highways/Public Works	2,399,556	161,875	1,841,322	272,791	(123,568)	0	(123,568)	0	0	0
Education	70,736	0	0	0	(70,736)	0	(70,736)	0	0	0
Interest on Long-term Debt	602,689	0	56,533	0	(546,156)	0	(546,156)	0	0	0
Total Governmental Activities	\$ 16,198,761	\$ 4,642,743	\$ 2,369,811	\$ 1,370,531	\$ (7,815,676)	\$ 0	\$ (7,815,676)	\$ 0	\$ 0	0
Business-type Activities:										
Solid Waste Disposal	\$ 1,014,711	\$ 991,531	\$ 20,380	\$ 0	\$ 0	\$ (2,800)	\$ (2,800)	\$ 0	\$ 0	0
Total Primary Government	\$ 17,213,472	\$ 5,634,274	\$ 2,390,191	\$ 1,370,531	\$ (7,815,676)	\$ (2,800)	\$ (7,818,476)	\$ 0	\$ 0	0
Component Units:										
Haywood County School Department	\$ 28,072,940	\$ 244,642	\$ 5,248,758	\$ 66,000	\$ 0	\$ 0	0	\$ (22,513,540)	\$ 0	0
Haywood County Utility District	332,316	292,592	0	0	0	0	0	0	0	(39,724)
Total Component Units	\$ 28,405,256	\$ 537,234	\$ 5,248,758	\$ 66,000	\$ 0	\$ 0	0	\$ (22,513,540)	\$ (39,724)	0

(Continued)



Exhibit B

Haywood County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government		Component Units	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Haywood County School Department	Haywood County Utility District
	Expenses	Contributions					
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 5,499,513	\$ 0	\$ 5,499,513	\$ 0
Property Taxes Levied for Debt Service				913,069	0	913,069	0
Local Option Sales Taxes				126,201	0	126,201	0
Hotel/Motel Tax				54,589	0	54,589	0
Wheel Tax				949,539	0	949,539	0
Litigation Taxes				520,302	0	520,302	0
Business Tax				142,426	0	142,426	0
Wholesale Beer Tax				75,772	0	75,772	0
Other Local Taxes				37,700	0	37,700	0
Grants and Contributions Not Restricted to Specific Programs				1,145,188	21,000	1,166,188	0
Unrestricted Investment Income				157,789	0	157,789	897
Miscellaneous				148,259	0	148,259	0
Total General Revenues				\$ 9,770,347	\$ 21,000	\$ 9,791,347	\$ 897
Transfers							
Change in Net Position				\$ (205,000)	\$ 205,000	\$ 0	\$ 0
Net Position, July 1, 2015				\$ 1,749,671	\$ 223,200	\$ 1,972,871	\$ (38,827)
				16,721,304	(929,163)	15,792,141	3,171,069
Net Position, June 30, 2016				\$ 18,470,975	\$ (705,963)	\$ 17,765,012	\$ 3,132,242

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

Exhibit C-1

Haywood County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2016

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental	
\$	0 \$	0 \$	0 \$	34,790 \$		34,790
Cash	1,714,200	4,087,270	2,498,461	215,746		8,515,677
Equity in Pooled Cash and Investments	1,221,735	0	38,875	6,342		1,266,952
Accounts Receivable	(215,240)	0	0	0		(215,240)
Allowance for Uncollectibles	464,365	334,875	0	0		799,240
Due from Other Governments	207,012	10,808	0	0		217,820
Due from Other Funds	5,629,963	496,887	958,853	0		7,085,703
Property Taxes Receivable	(153,592)	(13,556)	(26,159)	0		(193,307)
Allowance for Uncollectible Property Taxes						
Total Assets	\$ 8,868,443	\$ 4,916,284	\$ 3,470,030	\$ 256,878		\$ 17,511,635

ASSETS

Cash  
Equity in Pooled Cash and Investments  
Accounts Receivable  
Allowance for Uncollectibles  
Due from Other Governments  
Due from Other Funds  
Property Taxes Receivable  
Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES

Accounts Payable  
Payroll Deductions Payable  
Cash Overdraft  
Due to Other Funds  
Due to Component Units  
Due to State of Tennessee  
Other Funds Due State  
Total Liabilities

\$	224,241 \$	16,111 \$	0 \$	1,053 \$		241,405
	56,743	0	0	2,491		59,234
	0	0	0	4,732		4,732
	0	0	0	7,247		7,247
	51,270	0	0	0		51,270
	2,745	0	0	164		2,909
	21,888	0	0	0		21,888
Total Liabilities	\$ 356,887	\$ 16,111	\$ 0	\$ 15,687		\$ 388,685

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes

\$	5,101,458 \$	448,042 \$	864,596 \$	0 \$		6,414,096
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(Continued)



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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Deferred Delinquent Property Taxes	\$ 319,707	\$ 30,092	\$ 58,070	\$ 0	\$ 0	\$ 407,869
Other Deferred/Unavailable Revenue	1,270,123	172,667	0	0	0	1,442,790
Total Deferred Inflows of Resources	<u>\$ 6,691,288</u>	<u>\$ 650,801</u>	<u>\$ 922,666</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,264,755</u>
<b>FUND BALANCES</b>						
Restricted:						
Restricted for General Government	\$ 85,447	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,447
Restricted for Finance	21,683	0	0	0	0	21,683
Restricted for Administration of Justice	410,962	0	0	0	0	410,962
Restricted for Public Safety	30,801	0	0	15,541	0	46,342
Restricted for Social, Cultural, and Recreational Services	12,737	0	0	0	0	12,737
Restricted for Highways/Public Works	0	2,041,239	0	0	0	2,041,239
Restricted for Capital Projects	0	0	0	48,043	0	48,043
Restricted for Other Purposes	31,296	0	0	3,003	0	34,299
Committed:						
Committed for Finance	0	0	0	26,543	0	26,543
Committed for Public Safety	9,823	0	0	0	0	9,823
Committed for Public Health and Welfare	23,541	0	0	90,687	0	114,228
Committed for Highways/Public Works	0	2,208,133	0	0	0	2,208,133
Committed for Capital Outlay	0	0	0	62,106	0	62,106
Committed for Debt Service	0	0	2,547,364	0	0	2,547,364
Unassigned	1,193,978	0	0	(4,732)	0	1,189,246
Total Fund Balances	<u>\$ 1,820,268</u>	<u>\$ 4,249,372</u>	<u>\$ 2,547,364</u>	<u>\$ 241,191</u>	<u>\$ 0</u>	<u>\$ 8,858,195</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,868,443</u>	<u>\$ 4,916,284</u>	<u>\$ 3,470,030</u>	<u>\$ 256,878</u>	<u>\$ 0</u>	<u>\$ 17,511,635</u>

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

Exhibit C-2

Haywood County, Tennessee

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2016

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)		\$ 8,858,195
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 4,374,111	
Add: buildings and improvements net of accumulated depreciation	10,280,489	
Add: infrastructure net of accumulated depreciation	6,099,803	
Add: other capital assets net of accumulated depreciation	<u>3,571,206</u>	24,325,609
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: capital lease payable	\$ (158,038)	
Less: other loans payable	(2,529,987)	
Less: bonds payable	(14,432,969)	
Less: compensated absences payable	(26,360)	
Less: accrued interest on capital lease and bonds	(50,582)	
Add: deferred amount on refunding	273,922	
Less: other deferred revenues - premium on debt	(123,959)	
Less: net pension liability - agent plan	<u>(54,918)</u>	(17,102,891)
(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	\$ 908,906	
Less: deferred inflows of resources related to pensions	<u>(369,503)</u>	539,403
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,850,659</u>
Net position of governmental activities (Exhibit A)		<u>\$ 18,470,975</u>

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

Exhibit C-3

Haywood County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2016

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 6,440,281	\$ 623,914	\$ 1,491,585	\$ 0	\$ 0	\$ 8,555,780
Licenses and Permits	18,900	0	0	0	0	18,900
Fines, Forfeitures, and Penalties	213,870	0	0	48,002	0	261,872
Charges for Current Services	1,247,595	0	0	811,705	0	2,059,300
Other Local Revenues	243,806	161,954	94,474	17,962	0	518,196
Fees Received From County Officials	1,002,122	0	0	0	0	1,002,122
State of Tennessee	1,178,002	2,139,873	60,945	34,573	0	3,412,393
Federal Government	161,176	0	95,837	1,063,525	0	1,320,538
Other Governments and Citizens Groups	368,498	0	0	0	0	368,498
<b>Total Revenues</b>	<b>\$ 10,874,250</b>	<b>\$ 2,925,741</b>	<b>\$ 1,742,841</b>	<b>\$ 1,975,767</b>	<b>\$ 0</b>	<b>\$ 17,518,599</b>

<u>Expenditures</u>						
Current:						
General Government	\$ 1,706,544	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,706,544
Finance	695,076	0	0	173,747	0	868,823
Administration of Justice	1,001,462	0	0	0	0	1,001,462
Public Safety	4,029,248	0	0	67,547	0	4,096,795
Public Health and Welfare	2,208,238	0	0	375,922	0	2,584,160
Social, Cultural, and Recreational Services	1,024,566	0	0	0	0	1,024,566
Agriculture and Natural Resources	235,541	0	0	0	0	235,541
Other Operations	867,285	0	0	66,332	0	933,617
Highways	0	2,569,598	0	0	0	2,569,598
Debt Service:						
Principal on Debt	83,688	0	1,161,401	0	0	1,245,089
Interest on Debt	163	0	558,642	0	0	558,805
Other Debt Service	0	0	32,965	0	0	32,965

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<b>Expenditures (Cont.)</b>						
Capital Projects	\$ 0 \$	0 \$	0 \$	1,444,570 \$	1,444,570	
Total Expenditures	\$ 11,851,811 \$	2,569,598 \$	1,753,008 \$	2,128,118 \$	18,302,535	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (977,561) \$	356,143 \$	(10,167) \$	(152,351) \$	(783,936)	
<b>Other Financing Sources (Uses)</b>						
Capital Leases Issued	\$ 241,726 \$	0 \$	0 \$	0 \$	241,726	
Transfers Out	0	0	0	(205,000)	(205,000)	
Total Other Financing Sources (Uses)	\$ 241,726 \$	0 \$	0 \$	(205,000) \$	36,726	
<b>Net Change in Fund Balances</b>	\$ (735,835) \$	356,143 \$	(10,167) \$	(357,351) \$	(747,210)	
Fund Balance, July 1, 2015	2,556,103	3,893,229	2,557,531	598,542	9,605,405	
Fund Balance, June 30, 2016	\$ 1,820,268 \$	4,249,372 \$	2,547,364 \$	241,191 \$	8,858,195	

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

Exhibit C-4

Haywood 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, 2016

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) \$ (747,210)

- (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	\$ 2,511,408	
Less: current-year depreciation expense	(1,803,901)	707,507

- (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Add: deferred delinquent property taxes and other deferred June 30, 2016	\$ 1,850,659	
Less: deferred delinquent property taxes and other deferred June 30, 2015	(1,239,837)	610,822

- (3) The issuance of long-term debt (e.g., bonds, capital leases, other loans) 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: capital lease proceeds	\$ (241,726)	
Less: change in deferred amount on refunding debt	(43,900)	
Add: principal payments on capital lease	83,688	
Add: principal payments on other loans	285,004	
Add: principal payments on bonds	876,397	
Add: change in premium on bond issuance	24,011	983,474

- (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in accrued interest payable	\$ 16	
Change in compensated absences payable	(2,919)	
Change in net pension asset/liability - agent plan	(701,579)	
Change in deferred outflows related to pensions	262,104	
Change in deferred inflows related to pensions	637,456	195,078

Change in net position of governmental activities (Exhibit B) \$ 1,749,671

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

## Exhibit C-5

Haywood County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 6,440,281	\$ 6,483,316	\$ 6,383,316	\$ 56,965
Licenses and Permits	18,900	18,950	18,950	(50)
Fines, Forfeitures, and Penalties	213,870	225,715	225,715	(11,845)
Charges for Current Services	1,247,595	1,409,985	1,409,985	(162,390)
Other Local Revenues	243,806	122,910	279,311	(35,505)
Fees Received From County Officials	1,002,122	1,380,700	1,380,700	(378,578)
State of Tennessee	1,178,002	1,255,938	1,258,989	(80,987)
Federal Government	161,176	217,000	217,000	(55,824)
Other Governments and Citizens Groups	368,498	670,000	670,000	(301,502)
Total Revenues	\$ 10,874,250	\$ 11,784,514	\$ 11,843,966	\$ (969,716)
<b>Expenditures</b>				
<b>General Government</b>				
County Commission	\$ 127,158	\$ 137,210	\$ 137,210	\$ 10,052
Beer Board	545	1,100	1,100	555
County Mayor/Executive	353,023	281,982	361,382	8,359
County Attorney	41,539	44,694	44,694	3,155
Election Commission	127,594	139,574	139,575	11,981
Register of Deeds	134,617	133,294	141,958	7,341
Development	70,216	75,139	76,089	5,873
County Buildings	729,430	695,804	766,746	37,316
Other General Administration	122,422	0	123,288	866
<b>Finance</b>				
Accounting and Budgeting	11,450	10,100	12,100	650
Property Assessor's Office	272,834	306,100	309,500	36,666
Reappraisal Program	37,560	46,449	46,449	8,889
County Trustee's Office	79,778	264,815	264,815	185,037
County Clerk's Office	293,454	301,568	302,893	9,439
<b>Administration of Justice</b>				
Circuit Court	476,908	461,199	487,434	10,526
General Sessions Judge	247,415	249,090	249,091	1,676
General Sessions Court Clerk	4,489	4,500	5,500	1,011
Chancery Court	181,954	179,258	186,459	4,505
Juvenile Court	90,696	91,424	96,824	6,128
<b>Public Safety</b>				
Sheriff's Department	1,319,938	1,400,864	1,453,372	133,434
Jail	2,017,148	1,895,429	2,045,129	27,981
Workhouse	141,115	154,694	154,969	13,854
Fire Prevention and Control	351,460	377,263	372,988	21,528
Civil Defense	19,395	19,395	19,395	0
Rescue Squad	12,976	13,385	13,385	409
County Coroner/Medical Examiner	4,400	4,800	4,800	400
Other Public Safety	162,816	170,000	170,000	7,184
<b>Public Health and Welfare</b>				
Local Health Center	54,054	53,064	56,064	2,010
Rabies and Animal Control	73,771	88,000	88,000	14,229
Ambulance/Emergency Medical Services	1,924,468	1,822,055	2,071,380	146,912
Alcohol and Drug Programs	25,979	15,385	27,545	1,566

(Continued)



## Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Other Local Health Services	\$ 9,778	\$ 10,000	\$ 10,000	\$ 222
Regional Mental Health Center	0	0	198,715	198,715
Appropriation to State	120,188	133,862	140,773	20,585
<u>Social, Cultural, and Recreational Services</u>				
Libraries	151,271	150,870	151,930	659
Parks and Fair Boards	738,929	743,931	743,931	5,002
Other Social, Cultural, and Recreational	134,366	185,000	189,500	55,134
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	140,380	154,389	154,389	14,009
Soil Conservation	95,161	97,349	97,599	2,438
<u>Other Operations</u>				
Industrial Development	177,147	216,687	216,687	39,540
Other Economic and Community Development	36,174	0	38,425	2,251
Veterans' Services	19,215	24,666	24,666	5,451
Other Charges	76,855	75,852	77,977	1,122
Contributions to Other Agencies	263,359	227,240	284,167	20,808
Miscellaneous	294,535	277,375	307,677	13,142
<u>Principal on Debt</u>				
General Government	83,688	0	83,688	0
<u>Interest on Debt</u>				
General Government	163	0	163	0
Total Expenditures	\$ 11,851,811	\$ 11,734,855	\$ 12,950,421	\$ 1,098,610
Excess (Deficiency) of Revenues Over Expenditures	\$ (977,561)	\$ 49,659	\$ (1,106,455)	\$ 128,894
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 241,726	\$ 0	\$ 241,726	\$ 0
Insurance Recovery	0	10,000	10,000	(10,000)
Total Other Financing Sources	\$ 241,726	\$ 10,000	\$ 251,726	\$ (10,000)
Net Change in Fund Balance	\$ (735,835)	\$ 59,659	\$ (854,729)	\$ 118,894
Fund Balance, July 1, 2015	2,556,103	1,973,940	1,973,940	582,163
Fund Balance, June 30, 2016	\$ 1,820,268	\$ 2,033,599	\$ 1,119,211	\$ 701,057

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

## Exhibit C-6

Haywood County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b><u>Revenues</u></b>				
Local Taxes	\$ 623,914	\$ 634,122	\$ 628,983	\$ (5,069)
Other Local Revenues	161,954	238,130	238,130	(76,176)
State of Tennessee	2,139,873	2,433,342	2,433,342	(293,469)
Total Revenues	<u>\$ 2,925,741</u>	<u>\$ 3,305,594</u>	<u>\$ 3,300,455</u>	<u>\$ (374,714)</u>
<b><u>Expenditures</u></b>				
<b><u>Highways</u></b>				
Administration	\$ 159,555	\$ 166,409	\$ 166,409	\$ 6,854
Highway and Bridge Maintenance	1,075,654	1,268,120	1,268,120	192,466
Operation and Maintenance of Equipment	483,676	599,000	599,000	115,324
Other Charges	123,073	127,950	127,950	4,877
Employee Benefits	234,434	243,275	243,275	8,841
Capital Outlay	493,206	894,100	894,100	400,894
Total Expenditures	<u>\$ 2,569,598</u>	<u>\$ 3,298,854</u>	<u>\$ 3,298,854</u>	<u>\$ 729,256</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 356,143</u>	<u>\$ 6,740</u>	<u>\$ 1,601</u>	<u>\$ 354,542</u>
Net Change in Fund Balance	<u>\$ 356,143</u>	<u>\$ 6,740</u>	<u>\$ 1,601</u>	<u>\$ 354,542</u>
Fund Balance, July 1, 2015	<u>3,893,229</u>	<u>3,805,173</u>	<u>3,805,173</u>	<u>88,056</u>
Fund Balance, June 30, 2016	<u>\$ 4,249,372</u>	<u>\$ 3,811,913</u>	<u>\$ 3,806,774</u>	<u>\$ 442,598</u>

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



Exhibit D-1

Haywood County, Tennessee  
Statement of Net Position  
Proprietary Fund  
June 30, 2016

Major Fund  
Business-type  
Activities -  
Enterprise Fund  
Solid Waste  
Disposal Fund

ASSETS

Current Assets:

Equity in Pooled Cash and Investments	\$	153,282
Accounts Receivable		738,554
Allowance for Uncollectibles		(221,386)
Due from Other Governments		5,250
Total Current Assets	\$	<u>675,700</u>

Noncurrent Assets:

Capital Assets:

Assets Not Depreciated:

Land	\$	235,000
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Assets Net of Accumulated Depreciated:

Buildings and Improvements		77,439
Other Capital Assets		309,218

Total Noncurrent Assets	\$	<u>621,657</u>
Total Assets	\$	<u>1,297,357</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Changes in Experience	\$	8,492
Pension Contributions After Measurement Date		18,930
Total Deferred Outflows of Resources	\$	<u>27,422</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$	66,605
Payroll Deductions Payable		1,664
Due to State of Tennessee		143
Capital Leases Payable - Current		43,644
Accrued Liability for Landfill Closure/Postclosure Care Costs - Current		38,199
Total Current Liabilities	\$	<u>150,255</u>

(Continued)

Exhibit D-1

Haywood County, Tennessee  
Statement of Net Position  
Proprietary Fund (Cont.)

Major Fund  
Business-type  
Activities -  
Enterprise Fund  
Solid Waste  
Disposal Fund

LIABILITIES (CONT.)

Noncurrent Liabilities:

Capital Leases Payable - Long-term	\$ 142,577
Accrued Liability for Landfill Closure/Postclosure Care Costs	1,725,098
Net Pension Liability - Agent Plan	1,658
Total Noncurrent Liabilities	<u>\$ 1,869,333</u>
Total Liabilities	<u>\$ 2,019,588</u>

DEFERRED INFLOWS OF RESOURCES

Pension Changes in Experience	\$ 4,485
Pension Changes in Investment Earnings	6,669
Total Deferred Inflows of Resources	<u>\$ 11,154</u>

NET POSITION

Net Investment in Capital Assets	\$ 435,436
Unrestricted	<u>(1,141,399)</u>
Total Net Position	<u>\$ (705,963)</u>

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

Exhibit D-2

Havwood County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2016

	Major Fund
	Business-type
	Activities -
	Enterprise Fund
	Solid Waste
	Disposal Fund
<u>Operating Revenues</u>	
Tipping Fees	\$ 976,870
Sale of Materials and Supplies	14,657
Miscellaneous Refunds	4
Total Operating Revenues	<u>\$ 991,531</u>
<u>Operating Expenses</u>	
Supervisor/Director	\$ 19,434
Equipment Operators	95,042
Part-time Personnel	3,309
Overtime Pay	15,720
Social Security	10,541
Pensions	5,864
Employee and Dependent Insurance	8,285
Life Insurance	939
Unemployment Compensation	423
Other Fringe Benefits	8,093
Communication	2,257
Contracts with Government Agencies	3,980
Contracts with Private Agencies	517,444
Engineering Services	6,626
Licenses	6,110
Postal Charges	7
Printing, Stationery, and Forms	888
Rentals	45,500
Travel	509
Crushed Stone	2,116
Diesel Fuel	9,001
Drugs and Medical Supplies	426
Electricity	6,296
Equipment and Machinery Parts	76,874
Gasoline	4,457
Lubricants	3,199

(Continued)

Exhibit D-2

Havwood County, Tennessee

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund (Cont.)

	Major Fund
	Business-type
	Activities -
	Enterprise Fund
	Solid Waste
	Disposal Fund
<u>Operating Expenses (Cont.)</u>	
Office Supplies	\$ 479
Tires and Tubes	6,321
Other Supplies and Materials	8,184
Premiums on Corporate Surety Bonds	150
Trustee's Commission	8,889
Vehicle and Equipment Insurance	11,617
Workers' Compensation Insurance	12,051
Depreciation	43,638
Landfill Postclosure Care Costs	20,909
Other Charges	3,596
Other Construction	41,487
Total Operating Expenses	\$ 1,010,661
Operating Income (Loss)	\$ (19,130)
<u>Nonoperating Revenues (Expenses)</u>	
State Tire Tax	\$ 15,380
Lease/Rentals	5,000
Contributions	21,000
Interest on Capital Leases	(4,050)
Total Nonoperating Revenues (Expenses)	\$ 37,330
Income(Loss) Before Transfers	\$ 18,200
Transfers In	205,000
Change in Net Position	\$ 223,200
Net Position, July 1, 2015	(929,163)
Net Position, June 30, 2016	\$ (705,963)

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

Exhibit D-3

Haywood County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2016

	<u>Major Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 873,810
Receipts from Others	14,661
Payments for Waste Collections and Disposal Activity	(859,020)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 29,451</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (138,162)
Interest on Capital Leases	(4,050)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (142,212)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Receipts from State Tire Tax	\$ 15,380
Receipts from Farmland Rental	5,000
Contributions	21,000
Transfers from Other Funds	205,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 246,380</u>
Net Increase (Decrease) in Cash	\$ 133,619
Cash, July 1, 2015	<u>19,663</u>
Cash, June 30, 2016	<u>\$ 153,282</u>
<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (19,130)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	43,638
Change in Assets and Liabilities:	
(Increase) in Accounts Receivable	(134,344)
Increase in Allowance for Uncollectibles	26,186
Decrease in Due from Other Governments	5,098
(Increase) in Deferred Outflows Related to Pensions	(13,425)
Increase in Accounts Payable	65,101
Increase in Payroll Deductions Payable	615
(Decrease) in Due to State of Tennessee	(21)
(Decrease) in Accrued Liability for Landfill Postclosure Care Costs	(17,291)
Increase in Capital Leases Payable	68,016
Increase in Net Pension Liability - Agent Plan	15,664
(Decrease) in Deferred Inflows Related to Pensions	(10,656)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 29,451</u>
<u>Reconciliation of Cash With Statement of Net Position</u>	
Equity in Pooled Cash and Investments	<u>\$ 153,282</u>
Cash, June 30, 2016	<u>\$ 153,282</u>

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

Exhibit E

Haywood County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 465,211
Equity in Pooled Cash and Investments	15,166
Accounts Receivable	5,268
Due from Other Governments	<u>279,268</u>
Total Assets	<u>\$ 764,913</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 600
Payroll Deductions Payable	300
Due to Other Taxing Units	274,647
Due to Litigants, Heirs, and Others	470,479
Due to Joint Venture	<u>18,887</u>
Total Liabilities	<u>\$ 764,913</u>

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

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## HAYWOOD COUNTY, TENNESSEE

### Index of Notes to the Financial Statements

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Note	Page(s)
<b>I. Summary of Significant Accounting Policies</b>	
A. Reporting Entity	37
B. Government-wide and Fund Financial Statements	38
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	39
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	41
2. Receivables and Payables	42
3. Capital Assets	43
4. Deferred Outflows/Inflows of Resources	44
5. Compensated Absences	44
6. Long-term Obligations	45
7. Net Position and Fund Balance	45
E. Pension Plans	47
<b>II. Reconciliation of Government-wide and Fund Financial Statements</b>	
A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position	48
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	48
<b>III. Stewardship, Compliance, and Accountability</b>	
A. Budgetary Information	48
B. Net Position Deficit	49
C. Cash Overdraft and Fund Deficit	49
D. Expenditures Exceeded Appropriations	49
E. The County Mayor Failed to Comply with State Statutes When Issuing Debt	49
<b>IV. Detailed Notes on All Funds</b>	
A. Deposits and Investments	50
B. Capital Assets	51
C. Interfund Receivables, Payables, and Transfers	54
D. Operating Lease	55
E. Capital Leases	56
F. Long-term Obligations	57
G. On-Behalf Payments	62

(Continued)

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## HAYWOOD COUNTY, TENNESSEE

### Index of Notes to the Financial Statements (Cont.)

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Note	Page(s)
<b>V. Other Information</b>	
A. Risk Management	63
B. Accounting Changes	64
C. Subsequent Events	64
D. Contingent Liabilities	65
E. Landfill Closure/Postclosure Care Costs	65
F. Joint Ventures	65
G. Retirement Commitments	67
H. Other Postemployment Benefits (OPEB)	84
I. Purchasing Laws	86
<b>VI. Other Notes - Discretely Presented Haywood County Utility District</b>	87



**HAYWOOD COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Haywood 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 Haywood County:

**A. Reporting Entity**

Haywood County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Haywood County (the primary government) and its component units. The financial statements of the Haywood County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of their omission is not material to the aggregate discretely presented component units' opinion unit and will 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 Haywood County School Department operates the public school system in the county, and the voters of Haywood 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 Haywood County Utility District provides water services to customers within the district, and the Haywood County Commission appoints its three-member governing body. The district is funded primarily from charges to customers for water services and grants. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Haywood County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Haywood County, and the Haywood 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 Haywood County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Haywood 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 Haywood County Utility District and the Haywood County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Haywood County Utility District  
1 North Washington  
Brownsville, TN 38012

Haywood County Emergency Communications District  
100 S. Dupree Avenue  
Brownsville, TN 38012

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

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

Haywood County issues all debt for the discretely presented Haywood County School Department. Net debt issues totaling \$66,000 were contributed by the county to the School Department during the year ended June 30, 2016.

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

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

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

Fund financial statements of Haywood 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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Haywood County only reports one proprietary fund, a major enterprise fund.

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

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

Haywood County reports the following major governmental funds:

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

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

**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.

Haywood County reports the following major proprietary fund:

**Solid Waste Disposal Fund** – This fund accounts for the county's solid waste landfill operations.

Additionally, Haywood County reports the following fund types:

**Capital Projects Funds** – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, and for debt issued by Haywood County that is subsequently contributed to the discretely presented Haywood County School Department for construction and renovation projects.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, amounts collected for a joint venture emergency management agency, and local sales taxes received by the state to be forwarded to the various cities in Haywood 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 Haywood County School Department reports the following major governmental funds:

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

**School Federal Projects Fund** – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund, to account for the operations of the county's landfill. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's enterprise fund are tipping fees.

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

**1. Deposits and Investments**

For purposes of the Statement of Cash Flows, cash includes funds held by the county trustee as Equity in Pooled Cash 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 Haywood 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. Haywood County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a Stable Net Asset Value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

All ambulance, solid waste disposal, and property taxes receivable are shown with an allowance for uncollectibles. Ambulance and solid waste disposal receivables allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to 2.73 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.

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

### 3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and the business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 governmental activities of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Other Capital Assets	5 - 10
Infrastructure	8 - 30



Property, plant, and equipment of the Solid Waste Disposal Fund (enterprise fund) are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30
Machinery and Equipment	5 - 30

#### 4. Deferred Outflows/Inflows of Resources

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

#### 5. Compensated Absences

The general policy of Haywood County (with the exception of sick and vacation leave for employees of the Highway Department) does not allow employees to accumulate sick and vacation days beyond year end.

It is the policy of the Highway Department to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Highway Department does not have a policy to pay any amounts when employees separate from service with the government. A liability for the vacation



benefits is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

It is the policy of the discretely presented School Department to permit the unlimited accumulation of unused sick leave for professional personnel (teachers). Nonprofessional personnel are allowed to accumulate a limited amount of sick leave. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the School Department.

## **6. Long-term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type 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 and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

## **7. Net Position and Fund Balance**

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2016, Haywood County had \$3,479,987 in outstanding debt issued for capital purposes of the discretely presented Haywood County School Department. This debt is a liability of Haywood County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Haywood 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 Haywood County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Haywood 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 Haywood 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 Haywood County School Department**

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

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

#### **Primary Government**

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

#### **Discretely Presented Haywood County School Department**

Exhibit J-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, Beer Board, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Net Position Deficit**

The Solid Waste Disposal Fund had a deficit of \$1,141,399 in unrestricted net position and a total net position deficit of \$705,963 at June 30, 2016. This deficit primarily resulted from the recognition of a liability totaling \$1,763,297 for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.

**C. Cash Overdraft and Fund Deficit**

The Community Development/Industrial Park Fund had a cash overdraft and a deficit in unassigned fund balance of \$4,732 at June 30, 2016. This cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee, and the deficit in unassigned fund balance resulted from expenditures exceeding available funds.

**D. Expenditures Exceeded Appropriations**

Expenditures exceed appropriations approved by the County Commission in the Other Debt Service – General Government major appropriations category (the legal level of control) of the General Debt Service Fund by \$265. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

**E. The County Mayor Failed to Comply with State Statutes When Issuing Debt**

The county mayor failed to comply with state statutes when entering into lease-purchase agreements for an ambulance and four defibrillators and for a

bulldozer. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and Investments**

Haywood County and the Haywood 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 and nonpooled investments as of June 30, 2016.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2016, was as follows:

**Primary Government - Governmental Activities:**

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 4,374,111	\$ 0	\$ 0	\$ 4,374,111
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 4,374,111</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,374,111</b>
<b>Capital Assets Depreciated:</b>				
Buildings				
and Improvements	\$ 18,583,477	\$ 237,400	\$ 0	\$ 18,820,877
Infrastructure	51,523,400	667,166	0	52,190,566
Other Capital Assets	10,539,120	1,606,842	(139,800)	12,006,162
<b>Total Capital Assets Depreciated</b>	<b>\$ 80,645,997</b>	<b>\$ 2,511,408</b>	<b>\$ (139,800)</b>	<b>\$ 83,017,605</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings				
and Improvements	\$ 7,971,811	\$ 568,577	\$ 0	\$ 8,540,388
Infrastructure	45,586,282	504,481	0	46,090,763
Other Capital Assets	7,843,913	730,843	(139,800)	8,434,956
<b>Total Accumulated Depreciation</b>	<b>\$ 61,402,006</b>	<b>\$ 1,803,901</b>	<b>\$ (139,800)</b>	<b>\$ 63,066,107</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 19,243,991</b>	<b>\$ 707,507</b>	<b>\$ 0</b>	<b>\$ 19,951,498</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 23,618,102</b>	<b>\$ 707,507</b>	<b>\$ 0</b>	<b>\$ 24,325,609</b>

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

**Governmental Activities:**

General Government	\$ 131,559
Finance	43,718
Administration of Justice	85,419
Public Safety	739,097
Public Health and Welfare	93,331
Social, Cultural, and Recreational Services	51,310
Highway Department	<u>659,467</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 1,803,901</u>
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**Primary Government - Business-type Activities:**

	Balance 7-1-15	Increases	Balance 6-30-16
Capital Assets			
Not Depreciated:			
Land	\$ 235,000	\$ 0	\$ 235,000
Total Capital Assets			
Not Depreciated	<u>\$ 235,000</u>	<u>\$ 0</u>	<u>\$ 235,000</u>
Capital Assets			
Depreciated:			
Buildings and			
Improvements	\$ 215,300	\$ 0	\$ 215,300
Other Capital Assets	681,010	138,162	819,172
Total Capital Assets			
Depreciated	<u>\$ 896,310</u>	<u>\$ 138,162</u>	<u>\$ 1,034,472</u>
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 130,675	\$ 7,186	\$ 137,861
Other Capital Assets	473,502	36,452	509,954
Total Accumulated			
Depreciation	<u>\$ 604,177</u>	<u>\$ 43,638</u>	<u>\$ 647,815</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 292,133</u>	<u>\$ 94,524</u>	<u>\$ 386,657</u>
Business-type Activities			
Capital Assets, Net	<u>\$ 527,133</u>	<u>\$ 94,524</u>	<u>\$ 621,657</u>



There were no decreases in capital assets to report during the year ended June 30, 2016.

**Discretely Presented Haywood County School Department -  
Governmental Activities:**

	Balance 7-1-15	Increases	Balance 6-30-16
Capital Assets Not Depreciated:			
Land	\$ 143,868	\$ 0	\$ 143,868
Total Capital Assets Not Depreciated	<u>\$ 143,868</u>	<u>\$ 0</u>	<u>\$ 143,868</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 27,515,968	\$ 717,557	\$ 28,233,525
Other Capital Assets	6,365,634	23,963	6,389,597
Total Capital Assets Depreciated	<u>\$ 33,881,602</u>	<u>\$ 741,520</u>	<u>\$ 34,623,122</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 14,272,455	\$ 818,357	\$ 15,090,812
Other Capital Assets	4,787,415	360,133	5,147,548
Total Accumulated Depreciation	<u>\$ 19,059,870</u>	<u>\$ 1,178,490</u>	<u>\$ 20,238,360</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,821,732</u>	<u>\$ (436,970)</u>	<u>\$ 14,384,762</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,965,600</u>	<u>\$ (436,970)</u>	<u>\$ 14,528,630</u>

There were no decreases in capital assets to report during the year ended June 30, 2016. Depreciation expense was charged to functions of the discretely presented Haywood County School Department as follows:

**Governmental Activities:**

Instruction	\$ 436,048
Support Services	691,650
Operation of Non-instructional Services	<u>50,792</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,178,490</u>

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

The composition of interfund balances as of June 30, 2016, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 207,012
Highway/Public Works	General	10,808
Discretely Presented School Department:		
School Federal Projects	General Purpose School	549

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

The receivable in the General Fund totaling \$199,765 was in transit from the nonmajor governmental fund and the receivable in the Highway/Public Works Fund totaling \$10,808 was in transit from the General Fund at June 30, 2016.

**Due to/from Primary Government and Component Units:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
School Department:	Primary Government:	
Nonmajor governmental	General	\$ 63,183

The receivable in the School Department's nonmajor governmental fund totaling \$11,913 was in transit from the General Fund at June 30, 2016.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2016, consisted of the following amounts:

**Primary Government**

	<u>Transfer In</u>
	Solid
	Waste
	Disposal
<u>Transfer Out</u>	<u>Fund</u>
Nonmajor governmental fund	\$ 205,000

**Discretely Presented Haywood County School Department**

	<u>Transfer In</u>
	General
	Purpose
	School
<u>Transfer Out</u>	<u>Fund</u>
School Federal Projects	\$ 64,114

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.

**D. Operating Lease**

On August 28, 2012, the county mayor obtained document scanning services under an operating lease. The rental expenditures for the year ended June 30, 2016, were \$67,980. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 64,270
Total	\$ 64,270

**E. Capital Leases**

**Governmental Activities**

On December 9, 2015, Haywood County entered into a two-year lease-purchase agreement for an ambulance and four defibrillators. The terms of the agreement require total lease payments of \$241,726 plus interest of 4.05 percent. Title to the equipment transfers to Haywood County at the end of the lease period. The General Fund is making the lease payments.

**Business-type Activities**

Terms of capital lease obligations outstanding at June 30, 2016, were as follows:

Description	Date of Lease	Length of Lease in Years	Gross Amount of Assets	Interest Rate
Tractor and Dirt Pan	9-6-13	5	\$ 57,344	3 %
Loader	9-2-14	5	83,539	2.49
Bulldozer	2-18-16	4	100,413	3.2

Title to the above-noted equipment transfers to Haywood County at the end of the lease period. The Solid Waste Disposal Fund is making the lease payments.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business- type Activities
Other Capital Assets	\$ 241,726	\$ 241,296
Less: Accumulated Depreciation	(24,355)	(48,356)
Total Book Value	\$ 217,371	\$ 192,940

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30	Governmental Activities	Business- type Activities
2017	\$ 83,852	\$ 48,724
2018	83,851	48,724
2019	0	48,724
2020	0	22,868
2021	0	18,416
2022	0	12,277
Total Minimum Lease Payments	\$ 167,703	\$ 199,733
Less: Amount Representing Interest	(9,665)	(13,512)
Present Value of Minimum Lease Payments	\$ 158,038	\$ 186,221

**F. Long-term Obligations**

**Primary Government**

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

Haywood County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds 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 other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 39 years for bonds and 16 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2016, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and the capital lease outstanding as of June 30, 2016, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-16
General Obligation Bonds	3.625 to 5.55%	2-5-37	\$ 10,860,000	\$ 7,282,969
General Obligation Bonds - Refunding	2 to 2.65	6-30-28	7,225,000	7,150,000
Other Loans Payable	0 to variable	6-1-27	3,509,000	2,529,987
Capital Lease	4.05	12-15-17	241,726	158,038

During the 2011-12 year, Haywood County entered into an agreement with the Tennessee Energy Efficient Schools Council to receive funding from the Energy Efficient School Initiative program. Under this agreement, the program made \$2,000,000 available for loan to Haywood County to increase energy efficiency in the Haywood County school system. This is an interest-free loan.

During the 2011-12 year, Haywood County entered into a loan agreement with the City of Clarksville Public Building Authority. Under the loan agreement, the authority made \$1,509,000 available for loan to Haywood County for school renovation projects. This loan is repayable at a variable interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees in connection with this loan. At June 30, 2016, the variable interest rate was 1.01 percent and other fees totaled .15 percent of the outstanding loan principal. The loan is also assessed an annual trustee fee of \$1,500.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2016, including interest payments and other loan fees, are presented in the following tables:

Year Ending	Bonds		
	Principal	Interest	Total
2017	\$ 956,655	\$ 519,026	\$ 1,475,681
2018	1,008,132	488,812	1,496,944
2019	1,054,677	456,266	1,510,943
2020	1,061,295	434,248	1,495,543
2021	1,092,988	412,055	1,505,043
2022-2026	4,700,106	1,618,674	6,318,780
2027-2031	4,392,030	613,265	5,005,295
2032-2036	135,878	26,449	162,327
2037	31,208	1,129	32,337
Total	\$ 14,432,969	\$ 4,569,924	\$ 19,002,893



Year Ending	Other Loans			
	Principal	Interest	Other Fees	Total
2017	\$ 288,004	\$ 11,886	\$ 3,235	\$ 303,125
2018	292,004	10,999	3,104	306,107
2019	295,004	10,072	2,968	308,044
2020	299,004	9,116	2,827	310,947
2021	303,004	8,118	2,680	313,802
2022-2026	930,967	24,154	10,976	966,097
2027	122,000	1,229	1,865	125,094
Total	\$ 2,529,987	\$ 75,574	\$ 27,655	\$ 2,633,216

There is \$2,547,364 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, other loans, and the capital lease totaled \$911, based on the 2010 federal census.

#### Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

##### Governmental Activities:

	Bonds	Other Loans	Capital Lease
Balance, July 1, 2015	\$ 15,309,366	\$ 2,814,991	\$ 0
Additions	0	0	241,726
Reductions	(876,397)	(285,004)	(83,688)
Balance, June 30, 2016	\$ 14,432,969	\$ 2,529,987	\$ 158,038
Balance Due Within One Year	\$ 956,655	\$ 288,004	\$ 77,451

	Compensated Absences	Net Pension Liability - Agent Plan*
Balance, July 1, 2015	\$ 23,441	\$ (646,661)
Additions	27,330	2,265,038
Reductions	(24,411)	(1,563,459)
Balance, June 30, 2016	<u>\$ 26,360</u>	<u>\$ 54,918</u>
Balance Due Within One Year	<u>\$ 19,771</u>	<u>\$ 0</u>

\* At July 1, 2015, the agent plan had a net pension asset.

**Analysis of Noncurrent Liabilities Presented on Exhibit A:**

Total Noncurrent Liabilities, June 30, 2016	\$ 17,202,272
Less: Balance Due Within One Year	(1,341,881)
Add: Unamortized Premium on Debt	<u>123,959</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,984,350</u>

Compensated absences will be paid from the employing fund, the Highway/Public Works Fund. The pension liability will be paid primarily from the General and Highway/Public Works funds.

**Defeasance of Prior Debt**

In the prior year, Haywood County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and defeased bonds are not included in the county's financial statements. At June 30, 2016, the following outstanding bonds are considered defeased:

	<u>Amount</u>
General Obligation Bonds, Series 2008	\$ 1,850,000

**Haywood County Solid Waste Disposal Fund (enterprise fund)**

**Capital Leases**

The capital leases outstanding as of June 30, 2016, for business-type activities are as follows:



Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-16
Capital Leases	2.49 to 3.2 %	2-8-22	\$ 241,296	\$ 186,221

#### Changes in Long-term Obligations

Long-term obligations activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2016, was as follows:

#### Business-type Activities:

	Capital Lease	Postclosure Care Costs	Net Pension Liability - Agent Plan*
Balance, July 1, 2015	\$ 118,205	\$ 1,780,588	\$ (14,006)
Additions	100,413	20,908	66,366
Reductions	(32,397)	(38,199)	(50,702)
Balance, June 30, 2016	<u>\$ 186,221</u>	<u>\$ 1,763,297</u>	<u>\$ 1,658</u>
Balance Due Within One Year	<u>\$ 43,644</u>	<u>\$ 38,199</u>	<u>\$ 0</u>

\* At July 1, 2015, the agent plan had a net pension asset.

#### Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 1,951,176
Less: Balance Due Within One Year	<u>(81,843)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,869,333</u>

#### Discretely Presented Haywood County School Department

#### Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Haywood County School Department for the year ended June 30, 2016, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Net Pension Liability - Agent Plan*	Net Pension Liability - Teacher Legacy Pension Plan*
Balance, July 1, 2015	\$ 621.132	\$ (956.236)	\$ (53.713)
Additions	187.906	1,951.089	4,585.545
Reductions	(161.034)	(952.778)	(4.396,386)
Balance, June 30, 2016	\$ 648.004	\$ 42.075	\$ 135.446
Balance Due Within One Year	\$ 0	\$ 0	\$ 0

\* At July 1, 2015, the agent and teacher legacy pension plans had net pension assets.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 825,525
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 825,525</u>

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

**G. On-Behalf Payments - Discretely Presented Haywood County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Haywood 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, 2016, were \$64,235 and \$44,238, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

## V. OTHER INFORMATION

### A. Risk Management

#### Primary Government

##### Employee Health Insurance

It is the policy of the county to purchase commercial insurance for its employees' health coverage. Retirees are not allowed to continue coverage. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

##### Workers' Compensation Insurance

Haywood 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.

##### Liability, Property, and Casualty

Haywood 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.

#### Discretely Presented Haywood County School Department

##### Employee Health Insurance

The Haywood County School Department participates in the Local Education Group Insurance Fund (LEGIF), which is 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.

### 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 annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

### **B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and Statement No. 79, *Certain External Investment Pools and Pool Participants* became effective for the year ended June 30, 2016.

GASB Statement No. 72, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous statements as they relate to measuring fair value of certain assets and liabilities.

GASB Statement No. 73, established accounting and reporting requirements for pensions that are not administered through a trust account and also addresses changes made to Statements No. 67 and No. 68. The changes to Statements No. 67 and No. 68 require new RSI disclosures concerning plan investments and address specific payables to defined benefit plans.

GASB Statement No. 76, addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

GASB Statement No. 79, addresses issues related to certain external investment pools and pool participants because of changes in Security and Exchange rules relative to money market funds. This standard establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes.

### **C. Subsequent Events**

On August 31, 2016, Dare Simpson left the Office of Assessor of Property and was succeeded by Gwen Watson.



On October 3, 2016, Haywood County entered into a \$32,999 lease-purchase agreement for a tractor.

On December 14, 2016, Haywood County issued \$1,196,134 in general obligation refunding bonds.

**D. Contingent Liabilities**

The county and School Department are involved in several pending lawsuits. Management advised that any potential claims not covered by insurance resulting from such litigation should not materially affect the county or School Department's financial statements.

**E. Landfill Closure/Postclosure Care Costs**

Haywood 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. Haywood County closed its sanitary landfill in 1998. The \$1,763,297, reported as postclosure care liability at June 30, 2016, represents amounts based on what it would cost to perform all postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Ventures**

The Brownsville - Haywood County Emergency Management Agency is a joint venture between Haywood County and the City of Brownsville. The agency's three-member board includes the county mayor, the mayor of the City of Brownsville, and one member who is jointly selected by the county mayor and the city mayor. The agency is jointly funded by the county and the City of Brownsville with additional revenues received from the State of Tennessee, the federal government, and private contributions. During the year ended June 30, 2016, the county provided financial assistance of \$19,395 to the agency.

The Brownsville - Haywood County Rescue Squad is a joint venture between Haywood County and the City of Brownsville. The agency's six-member board includes the county mayor, the mayor of the City of Brownsville, and four other members. The purpose of the rescue squad is to provide assistance in search

and rescue, drowning, flooding, evacuations, and road clearing from storms. The agency is jointly funded by the county and the City of Brownsville with additional revenues received from the private contributions. During the year ended June 30, 2016, the county contributed \$10,000 to the rescue squad.

The HTL Advantage is a joint venture between Haywood, Tipton, and Lauderdale counties and the cities of Brownsville, Ripley, and Covington. The board comprises ten members and consists of the mayors from each of the counties and cities, and one member from the Southwest Tennessee Electric Cooperative, the Covington Electric System, Ripley Power and Light, and the Brownsville Electric System. The purpose of the board is to establish and operate an office that markets the entire defined region for economic development and to bring the region attention of prospective industrial and commercial interests, which would be beneficial for the common good of all entities involved herein. The counties, cities, and electric systems provide the funding for the board. Haywood County contributed \$50,000 to HTL Advantage during the year.

The Elma Ross Public Library is a joint venture between Haywood County and the City of Brownsville. It is operated by an appointed board. The board comprises seven members, four of whom are appointed by the Haywood County Commission. The remaining three members are appointed by the City of Brownsville. Haywood County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed. Haywood County contributed \$75,272 to the operations of the library during the year ended June 30, 2016.

Haywood County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Brownsville - Haywood County Emergency Management Agency, Brownsville - Haywood County Rescue Squad, HTL Advantage, and the Elma Ross Public Library can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Brownsville – Haywood County  
Emergency Management Agency  
City Hall  
Brownsville, TN 38012

Brownsville – Haywood County  
Rescue Squad  
P.O. Box 668  
111 N. Washington  
Brownsville, TN 38012

HTL Advantage  
1469 South Main Street  
Covington, TN 38019

Elma Ross Public Library  
1011 East Main Street  
Brownsville, TN 38012

**G. Retirement Commitments**

**Tennessee Consolidated Retirement System (TCRS)**

**Primary Government**

**General Information About the Pension Plan**

*Plan Description.* Employees of Haywood County and non-certified employees of the discretely presented Haywood 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 57.35 percent and the non-certified employees of the discretely presented School Department comprised 42.65 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

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

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for

annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	200
Inactive Employees Entitled to But Not Yet Receiving Benefits	284
Active Employees	<u>360</u>
Total	<u><u>844</u></u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Haywood 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, 2015, the Actuarially Determined Contribution (ADC) for Haywood County were \$1,148,081 based on a rate of 12.26 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Haywood County's state shared taxes if required employer contributions are not remitted. The employer's 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)**

Haywood County's net pension liability (asset) was measured as of June 30, 2015, 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, 2015, 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 were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

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

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

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

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 Haywood County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2014	\$ 33,506,549	\$ 35,123,452	\$ (1,616,903)
Changes for the Year:			
Service Cost	\$ 773,505	\$ 0	\$ 773,505
Interest	2,526,922	0	2,526,922
Differences Between Expected and Actual Experience	631,682	0	631,682
Contributions-Employer	0	1,148,081	(1,148,081)
Contributions-Employees	0	4,712	(4,712)
Net Investment Income	0	1,081,152	(1,081,152)
Benefit Payments, Including Refunds of Employee Contributions	(1,175,533)	(1,175,533)	0
Administrative Expense	0	(17,390)	17,390
Net Changes	\$ 2,756,576	\$ 1,041,022	\$ 1,715,554
Balance, June 30, 2015	\$ 36,263,125	\$ 36,164,474	\$ 98,651

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	57.35%	\$ 20,796,902	\$ 20,740,326	\$ 56,576
School Department	42.65%	15,466,223	15,424,148	42,075
Total		\$ 36,263,125	\$ 36,164,474	\$ 98,651

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

	1% Decrease	Current Discount Rate	1% Increase
<u>Haywood County</u>	<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
Net Pension Liability (Asset)	\$ 4,708,316	\$ 98,651	\$ (3,764,212)

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

*Pension Expense.* For the year ended June 30, 2016, Haywood County recognized pension expense of \$504,240.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, Haywood 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
Differences Between Expected and Actual Experience	\$ 505,346	\$ 266,878
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,241,282	1,638,146
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	<u>1,154,671</u>	<u>N/A</u>
Total	<u>\$ 2,901,299</u>	<u>\$ 1,905,024</u>

- (1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 1,648,203	\$ 1,092,532
School Department	1,253,096	812,492
Total	<u>\$ 2,901,299</u>	<u>\$ 1,905,024</u>

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

Year Ending June 30	Amount
2017	\$ (176,111)
2018	(176,111)
2019	(176,111)
2020	369,937
2021	0
Thereafter	0

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

**Discretely Presented Haywood County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Haywood County and non-certified employees of the discretely presented Haywood 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 57.35 percent and the non-certified employees of the discretely presented School Department comprised 42.65 percent of the plan based on contribution data.



## **Certified Employees**

### **Teacher Retirement Plan**

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

*Plan Description.* Teachers of the Haywood 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](http://www.treasury.tn.gov/tcrs).

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

**Contributions.** Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were \$50,543, 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, 2016, the Haywood County School Department reported an asset of \$16,232 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Haywood County School Department's proportion of the net pension asset was based on the Haywood 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, 2015, the Haywood County School Department's proportion was .403477 percent.

**Pension Expense.** For the year ended June 30, 2016, the Haywood County School Department recognized pension expense of \$21,272.

**Deferred Outflows of Resources and Deferred Inflows of Resources.** For the year ended June 30, 2016, the Haywood 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	\$ 0	\$ 5,283
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,312	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	50,543	N/A
Total	\$ 51,855	\$ 5,283

The Haywood County School Department's employer contributions of \$50,543, 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, 2017. 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
2017	\$ (112)
2018	(112)
2019	(112)
2020	(112)
2021	(440)
Thereafter	(3,083)

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

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

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from 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 Haywood 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 Haywood County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability (Asset)	\$ 2,878	\$ (16,232)	\$ (30,247)
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*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 Haywood County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price



index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Haywood County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were \$1,051,936, 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, 2016, the Haywood County School Department reported a liability of \$135,446 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Haywood County School Department's proportion of the net pension liability (asset) was based on the Haywood 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, 2015, the Haywood County School Department's proportion was .330651 percent. The proportion measured at June 30, 2014, was .330551 percent.

*Negative Pension Expense.* For the year ended June 30, 2016, the Haywood County School Department recognized negative pension expense of \$118,283.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, the Haywood 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
Differences Between Expected and Actual Experience	\$ 108,701	\$ 2,108,236
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,445,729	3,320,211
Changes in Proportion of Net Pension Liability (Asset)	1,073	20,737
LEAs Contributions Subsequent to the Measurement Date of June 30, 2015	<u>1,051,936</u>	<u>N/A</u>
Total	<u>\$ 3,607,439</u>	<u>\$ 5,449,184</u>

The Haywood County School Department's employer contributions of \$1,051,936 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2017. 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
2017	\$ (899,144)
2018	(899,144)
2019	(899,144)
2020	207,592
2021	(403,841)
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, 2015, 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, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four 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 Haywood 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 Haywood 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 (Asset)	\$ 9,234,246	\$ 135,446	\$ (7,397,288)

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

##### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2016, the School Department contributed \$161,034 for postemployment benefits.



### Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
ARC	\$ 188,000
Interest on the NOPEBO	23,292
Adjustment to the ARC	(23,386)
Annual OPEB cost	\$ 187,906
Less: Amount of contribution	(161,034)
Increase/decrease in NOPEBO	\$ 26,872
Net OPEB obligation, 7-1-15	621,132
Net OPEB obligation, 6-30-16	\$ 648,004

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-14	Local Education Group	\$ 137,684	121%	\$ 635,706
6-30-15	"	142,655	110	621,132
6-30-16	"	187,906	86	648,004

### Funded Status and Funding Progress

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

	Local Education Group Plan
Actuarial valuation date	7-1-15
Actuarial accrued liability (AAL)	\$ 1,780,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,780,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 14,073,960
UAAL as a % of covered payroll	13%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are

compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation for the Local Education Group 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 6.5 percent initially. The trend rate will decrease to six percent in 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-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

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)*. This act provides for all purchases exceeding \$10,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

#### Office of Chief Administrative Highway Officer

Purchasing procedures for the Highway Department are governed by provisions of Chapter 24, Private Acts of 1991, as amended and Section 54-7-113, *TCA* (Uniform Road Law), which 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 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 competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**VI. OTHER NOTES – DISCRETELY PRESENTED HAYWOOD COUNTY UTILITY DISTRICT**

**A. Summary of Significant Accounting Policies**

**1. Reporting Entity**

The Haywood County Utility District was incorporated pursuant to a resolution of the Haywood County Commission dated July 17, 1997, and pursuant to Section 7-82-101, *Tennessee Code Annotated*, also known as “The Utility District Law of 1937.” The district is considered a component unit of Haywood County, Tennessee, because the three-member board is appointed by the county. The district was constructed with grants received through the county and is held accountable to the county.

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

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

The district’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the district conform to applicable accounting principles generally accepted in the United States of America for governmental units as defined by the Governmental Accounting Standards Board (GASB).

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund’s principal ongoing operations. The principal operating revenues of the district are charges for sales to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. **Assets, Liabilities, and Equity**

a. **Deposits and Investments**

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the district to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the state's investment pool.

b. **Accounts Receivable**

Trade receivables result from unpaid billings for water service to customers. The billings and collections for the district are prepared and collected by Brownsville Energy Authority. Brownsville Energy Authority remits to the district the entire amount of the billings on a monthly basis. Therefore, an allowance for uncollectible accounts receivable is considered unnecessary at this time as the risk of loss is entirely with Brownsville Energy Authority.

c. **Capital Assets**

Capital assets, which include property, plant, equipment, and construction in process, are defined by the district as assets with an initial, individual cost of more than \$100 (amount not rounded) and as estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market 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. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the district are depreciated using the straight-line method over the following useful lives:



<u>Assets</u>	<u>Years</u>
Distribution Plant	33-50

d. **Compensated Absences**

The district does not have any employees on staff. The district pays a set monthly fee to Brownsville Energy Authority for the use of their employees. Therefore, no compensated absences are recorded.

e. **Long-term Obligations**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds are reported net of the applicable bond premium or discount. The district will continue to report bond cost as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This regulatory option as part of GASB Statement No. 65 is available due to the above mentioned cost being used for rate setting by the district.

f. **Net Position**

Equity is classified as net position and displayed in the following two components:

- 1.) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- 2.) Unrestricted – All other net position that does not meet the description of the above category.

g. **Net Position Flow Assumption**

Sometimes the district will fund outlays for a particular purpose from both restricted 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 the

resources are considered to be applied. It is the district's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**B. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The district does not adopt a formal budget.

**C. Detailed Notes**

**1. Deposits and Investments**

**Custodial Credit Risk** – The district's policies limit deposits and investments to those instruments allowed by applicable state laws and are described below. State statute requires that all deposits with financial institutions be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district's agent in the district's name, or by the Federal Reserve Banks acting as third-party agents. State statutes also authorize the district to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificated of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2016, the district had no risk exposure.

**2. Receivables**

Receivables as of June 30, 2016, consisted of the following:

	<u>Balance</u> <u>6-30-16</u>
Billed Services for Utility Customers	\$31,921

**3. Capital Assets**

Capital assets activity during the year was as follows:

Description	Balance 7-1-15	Additions	Balance 6-30-16
Capital Assets, Not Depreciated	\$ 18,401	\$ 0	\$ 18,401
Capital Assets, Depreciated	\$ 5,220,215	\$ 0	\$ 5,220,215
Less Accumulated Depreciation	\$ 1,882,291	\$ 122,028	\$ 2,004,319
Total Capital Assets, Depreciated, Net	\$ 3,337,924	\$ (122,028)	\$ 3,215,896
Total Capital Assets, Net	\$ 3,356,325	\$ (122,028)	\$ 3,234,297

#### 4. Long-term Debt

Long-term debt is comprised of the following:

	Balance 6-30-16
General Obligation Bonds:	
General Obligation Bonds, Series 1998 interest at 4.875% due serially through 2037	\$ 424,359
Total General Obligation Bonds	\$ 424,359
Total Current Portion of General Obligation Bonds	\$ 12,010
Total Long-term Portion of General Obligation Bonds	\$ 412,349

In the year ended June 30, 1998, Haywood County issued \$560,000 of General Obligation Bonds, Series 1998 to the Rural Utility Services for construction of the district's water distribution system. In the year ended June 30, 1999, Haywood County issued \$72,300 of General Obligation Bonds, Series 1999 to the Rural Utility Services for additional construction for the District's water distribution system. The 1999 General Obligation Bond was paid off in full by the County as of June 30, 2008. Although the General Obligation Bonds, Series 1998 are in the name of the county and the county is ultimately responsible for the debt repayment, the district has agreed to and is repaying the debt.

The following is a summary of long-term debt transactions for the year ended June 30, 2016.

	<u>Bonds</u>
Balance, July 1, 2015	\$ 433,499
Reductions	<u>(9,140)</u>
Balance, June 30, 2016	<u>\$ 424,359</u>
Balance Due Within One Year	<u>\$ 12,010</u>

The scheduled annual requirements for long-term debt at June 30, 2016, are as follows:

Year Ending June 30	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,010	\$ 20,514	\$ 32,524
2018	12,661	19,864	32,525
2019	13,286	19,239	32,525
2020	13,941	18,584	32,525
2021	14,578	17,947	32,525
2022-2026	84,655	77,970	162,624
2027-2031	107,715	54,909	162,624
2032-2036	137,059	25,565	162,624
2037	28,454	924	29,378
Total	<u>\$ 424,359</u>	<u>\$ 255,516</u>	<u>\$ 679,874</u>

#### 5. Net Position

Net position represents the difference between assets and liabilities and deferred outflows/inflows of resources (if present). The net position amounts were as follows:

	<u>Balance 6-30-16</u>
Net Investment in Capital Assets:	
Net Property, Plant and Equipment in Services	\$ 3,234,297
Less: Debt Disclosed in Note VI.C.4.	<u>(424,359)</u>
	\$ 2,809,938
Unrestricted	<u>322,304</u>
Total Net Position	<u>\$ 3,132,242</u>



**D. Other Information**

**1. Risk Management**

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the district did not purchase any insurance. The district contracts with Brownsville Energy Authority for services necessary to operate and maintain the district. No settled claims have been incurred in any of the above mentioned risk categories during the past three years, and there has been no significant reduction in the coverage provided.

**2. Credit Risk**

The district provided water services for residents and commercial customers in a portion of Haywood County, Tennessee.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**Exhibit F-1**

**Haywood County, Tennessee**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on**  
**Participation in the Public Employee Pension Plan of TCRS**  
**Primary Government**  
**For the Fiscal Year Ended June 30**

	2014	2015
<b>Total Pension Liability (Asset)</b>		
Service Cost	\$ 737,120	\$ 773,505
Interest	2,403,909	2,526,922
Differences Between Actual and Expected Experience	(400,316)	631,682
Benefit Payments, Including Refunds of Employee Contributions	(1,098,340)	(1,175,533)
Net Change in Total Pension Liability (Asset)	\$ 1,642,373	\$ 2,756,576
Total Pension Liability (Asset), Beginning	31,864,176	33,506,549
<b>Total Pension Liability (Asset), Ending (a)</b>	<b>\$ 33,506,549</b>	<b>\$ 36,263,125</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,106,526	\$ 1,148,081
Contributions - Employee	365	4,712
Net Investment Income	4,990,442	1,081,152
Benefit Payments, Including Refunds of Employee Contributions	(1,098,340)	(1,175,533)
Administrative Expense	(14,541)	(17,390)
Net Change in Plan Fiduciary Net Position	\$ 4,984,452	\$ 1,041,022
Plan Fiduciary Net Position, Beginning	30,139,000	35,123,452
<b>Plan Fiduciary Net Position, Ending (b)</b>	<b>\$ 35,123,452</b>	<b>\$ 36,164,474</b>
<b>Net Pension Liability (Asset), Ending (a - b)</b>	<b>\$ (1,616,903)</b>	<b>\$ 98,651</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>104.83%</b>	<b>99.73%</b>
<b>Covered Payroll</b>	<b>\$ 9,228,853</b>	<b>\$ 9,363,104</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>(17.52)%</b>	<b>1.05%</b>

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit F-2

Havwood County, Tennessee  
Schedule of Contributions Based on Participation in the Public  
Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	2014	2015	2016
Actuarially Determined Contribution	\$ 1,106,526	\$ 1,148,081	\$ 1,154,671
Less Contributions in Relation to the			
Actuarially Determined Contribution	(1,106,526)	(1,148,081)	(1,154,671)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 9,228,853	\$ 9,363,104	\$ 9,418,197
Contributions as a Percentage of Covered Payroll	11.99%	12.26%	12.26%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit F-3

Haywood County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Retirement Plan of TCRS  
Discretely Presented Haywood County School Department  
For the Fiscal Year Ended June 30

	2015	2016
Contractually Required Contribution	\$ 20,958	\$ 31,589
Less Contributions in Relation to the Contractually Required Contribution	(33,533)	(50,543)
Contribution Deficiency (Excess)	\$ (12,575)	\$ (18,954)
Covered Payroll	\$ 838,318	\$ 1,263,579
Contributions as a Percentage of Covered Payroll	4.00%	4.00%

Note: ten years of data will be presented when available.

Exhibit F-4

Haywood County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Legacy Pension Plan of TCRS  
Discretely Presented Haywood County School Department  
For the Fiscal Year Ended June 30

	2014	2015	2016
Contractually Required Contribution	\$ 1,152,098	\$ 1,118,964	\$ 1,051,936
Less Contributions in Relation to the			
Contractually Required Contribution	(1,152,098)	(1,118,964)	(1,051,936)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 12,974,081	\$ 12,377,932	\$ 11,636,460
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%

Note: ten years of data will be presented when available.

Exhibit F-5

Haywood County, Tennessee

Schedule of Proportionate Share of the Net Pension Asset  
in the Teacher Retirement Plan of TCRS

Discretely Presented Haywood County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2016</u>
School Department's Proportion of the Net Pension Liability (Asset)	0.403477%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (16,232)
Covered Payroll	\$ 838,318
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.



Exhibit F-6

Haywood County, Tennessee  
Schedule of Proportionate Share of the Net Pension Asset  
in the Teacher Legacy Pension Plan of TCRS  
Discretely Presented Haywood County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2015</u>	<u>2016</u>
School Department's Proportion of the Net Pension Liability (Asset)	0.330551%	0.330651%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (53,713)	\$ 135,446
Covered Payroll	\$ 12,974,081	\$ 12,377,932
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.414002)%	1.094253%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit F-7

Haywood County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Haywood County School Department  
June 30, 2016

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-11	\$ 0	\$ 2,170	\$ 2,170	0 %	\$ 13,078	17 %
"	7-1-13	0	1,303	1,303	0	12,989	10
"	7-1-15	0	1,780	1,780	0	14,074	13

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**

### **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, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://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](http://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](http://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/](http://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/](http://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](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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