

OFFICIAL STATEMENT

NEW ISSUES

BOOK-ENTRY-ONLY

Rating: S&P – “AA”

(See “MISCELLANEOUS-Rating” herein)

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

\$8,805,000

ROANE COUNTY, TENNESSEE

General Obligation Refunding Bonds, Series 2018

Dated: March 29, 2018.

Due: June 1, as shown below.

The \$8,805,000 General Obligation Refunding 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 December 1, 2018 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only 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 Bonds are not subject to optional redemption prior to maturity.

| <u>Due</u> <u>(June 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>CUSIP**</u> | <u>Due</u> <u>(June 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>CUSIP**</u> |
|-------------------------------|---------------|--------------------------------|--------------|----------------|-------------------------------|---------------|--------------------------------|--------------|----------------|
| 2019 | \$ 1,740,000 | 5.00% | 1.40% | 769773 WW8 | 2022 | \$ 1,700,000 | 5.00% | 1.87% | 769773 WZ1 |
| 2020 | 1,915,000 | 5.00 | 1.55 | 769773 WX6 | 2023 | 900,000 | 5.00 | 2.02 | 769773 XA5 |
| 2021 | 1,615,000 | 5.00 | 1.71 | 769773 WY4 | 2024 | 935,000 | 5.00 | 2.13 | 769773 XB3 |

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Leffew & Leffew, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about March 29, 2018.

Cumberland Securities Company, Inc.

Financial Advisor

March 7, 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.

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McCraw-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.

ROANE COUNTY, TENNESSEE

OFFICIALS

| | |
|-----------------|---|
| Ron Woody | <i>County Executive</i> |
| Barbara Anthony | <i>County Clerk</i> |
| Connie Aytes | <i>Director of Accounts and Budgets</i> |
| Molly Hartup | <i>Assessor of Property</i> |
| Greg Leffew | <i>County Attorney</i> |

BOARD OF COUNTY COMMISSIONERS

| | |
|----------------|--------------------|
| David Bell | Carolyn Granger |
| Ron Berry | Junior Hendrickson |
| James Brummett | Mike Hooks |
| Peggy Collier | Chris Johnson |
| Benny East | Steve Kelley |
| Randy Ellis | Darryl Meadows |
| Greg Ferguson | Stanley Moore |
| Todd Fink | |

UNDERWRITER

Hutchinson, Shockey, Erley & Co.
Chicago, Illinois

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS

SUMMARY STATEMENT

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

| | |
|---------------------------|---|
| The Issuer | Roane County, Tennessee (the “County” or “Issuer”). See APPENDIX B contained herein. |
| Securities Offered..... | \$8,805,000 General Obligation Refunding Bonds, Series 2018 (the “Bonds”) of the County, dated the date of issuance March 29, 2018. The Bonds mature each June 1 beginning June 1, 2019 through June 1, 2024, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information. |
| Security | The Bonds are 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 and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. |
| Purpose | The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Debt (as defined herein) of the County, as described herein; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein. |
| Optional Redemption | The Bonds are not subject to optional redemption. See the 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..... | S&P: “AA”. See the section entitled “MISCELLANEOUS - Rating” for more information. |
| Financial Advisor | Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS-Financial Advisor; Related parties; Other” herein. |
| Underwriter..... | Hutchinson, Shockey, Erley & Co., Chicago, Illinois. |
| Bond Counsel | Bass, Berry & Sims PLC, Knoxville, Tennessee. |

Book-Entry OnlyThe Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”

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

General.....The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *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.

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

Other Information.....The information in this *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 Ron Woody, County Executive, Roane County Courthouse, P.O. Box 643, Kingston, Tennessee 37763, (865) 376-5578; or the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES
For the Fiscal Year Ended June 30

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | Unaudited <u>2017</u> |
|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|
| Beginning Fund Balance | \$ 4,841,770 | \$ 4,943,990 | \$ 4,990,409 | \$ 5,793,439 | \$7,108,859 |
| Revenues | 15,438,355 | 15,710,615 | 15,661,478 | 17,137,919 | 16,731,255 |
| Expenditures | 14,781,548 | 14,902,369 | 15,040,684 | 16,092,214 | 15,748,947 |
| Revenues Over Expenditures: | | | | | |
| Insurance Recovery | 14,831 | 13,532 | 12,536 | 3,715 | 4,056 |
| Transfers In | 20,000 | 20,000 | 330,000 | 400,000 | - |
| Transfers Out | (589,418) | (795,359) | (160,300) | (134,000) | (879,614) |
| Ending Fund Balance | <u>\$ 4,943,990</u> | <u>\$ 4,990,409</u> | <u>\$ 5,793,439</u> | <u>\$ 7,108,859</u> | <u>\$7,215,609</u> |

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

\$8,805,000
ROANE COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2018

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Roane County, Tennessee (the “County”) of \$8,805,000 General Obligation Refunding Bonds, Series 2018 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on February 12, 2018 (the “Resolutions”).

The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Debt, as described in the section “REFUNDING PLAN” below; and (ii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The County is proposing to issue the Bonds to refinance the County’s outstanding: (1) General Obligation Refunding Bonds, Series 2008A, dated June 18, 2008, maturing June 1, 2019 through June 1, 2022 (the “Series 2008A Bonds”); (2) General Obligation Refunding Bonds, Series 2008B, dated June 30, 2008, maturing June 1, 2019 through June 1, 2022 (the “Series 2008B Bonds”); (3) General Obligation Bonds, Series 2009A, dated April 22, 2009, maturing June 1, 2021 through June 1, 2024 (the “Series 2009A Bonds”) and (4) General Obligation Bonds, Series 2010A, dated May 5, 2010, maturing June 1, 2019 through June 1, 2025 (the “Series 2010A Bonds”)(collectively, the "Outstanding Debt"). The Outstanding Debt will be called for redemption on June 1, 2018 at par plus accrued interest.

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

DESCRIPTION OF THE BONDS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION OF THE BONDS

The Bonds are not subject to optional redemption prior to maturity.

NOTICE OF REDEMPTION

Notice of call for redemption, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with

the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

DISPOSITION OF BOND PROCEEDS

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

- (a) an amount, which together with investment earnings thereon and other legally available funds of the County, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Debt until and through the redemption date therefor shall be transferred to an escrow agent under a refunding escrow agreement to be deposited to an Escrow Fund established thereunder to be held and applied as provided therein or transferred to Regions Bank as Paying Agent for the Outstanding Debt to be held to the earliest optional redemption date; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such 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 pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes of this Section, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

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

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

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

LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not a preference item for a bondholder under the federal alternative minimum tax 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 section below "CHANGES IN FEDERAL AND STATE TAX LAW".

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

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

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

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the 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 Executive 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 Executive acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Executive and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

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

There is no assurance that such rating will continue for any given period of time or that the 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 rating may have an adverse effect on the secondary market price of the Bonds.

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on March 7, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated February 23, 2018 and revised March 2, 2018.

The successful bidder for the Bonds was an account led by Hutchinson, Shockey, Erley & Co., Chicago, Illinois (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 \$9,662,658.96 (consisting of the par amount of the Bonds, plus a reoffering premium of \$874,438.45 and less an underwriter’s discount of \$16,779.49) or 109.74% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

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

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing capital needs that may or may not require the issuance of additional debt. The County may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted

therein to issue bonds. (see “DEBT STRUCTURE - Indebtedness and Debt Ratios” for additional information.)

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information 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 issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. The required information for Fiscal Year Ending, June 30, 2015 for the County was filed late on November 7, 2016 due to a change in the utilization of a dissemination agent. However, the Audited Financial Statements were filed on time, February 19, 2016, for Fiscal Year Ending, June 30, 2015. The County has rehired Cumberland Securities Company, Inc. as its dissemination agent and all other filings, prior and after, have been filed on time. In the past five years, the County has filed its Annual Reports at www.emma@msrb.org under the base CUSIP Number 769773 which is the base CUSIP Number for the County; however, the County inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the County was an obligated person. The County has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Number.

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 believes that none of the above referenced omissions were material and therefore, 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-17;
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-18 through B-21;
3. Information about the bonded debt service requirements for General Obligation as shown on page B-22;
4. Information about the bonded debt service requirements for Rural School as shown on page B-23;
5. Information about the bonded debt service requirements for Education Debt as shown on page B-24;
6. Information about the bonded debt service requirements for Water & Sewer System as shown on page B-25;
7. The fund balances and retained earnings for the fiscal year as shown on page B-27;
8. Summary of revenues, expenditures and changes in fund balances - general fund for the fiscal year as shown on page B-28;
9. 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-34;
10. 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-34; and
11. The ten largest taxpayers as shown on page B-35.

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 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF THE COUNTY

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

/s/ Ron Woody
County Executive

ATTEST:

/s/ Barbara Anthony
County Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Roane County, Tennessee (the "Issuer") of its \$8,805,000 General Obligation Refunding Bonds, Series 2018 (the "Bonds") dated March 29, 2018. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.
2. The resolution of the Board of County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the Issuer.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.
5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or

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

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

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

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

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

Yours truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Roane County (the "County") is located in the eastern portion of the State of Tennessee and was established in 1801 from a part of Knox County. The County is bounded by Loudon, Anderson, Morgan, Cumberland, Rhea, Meigs, and McMinn counties. Kingston, the County Seat, is located approximately 36 miles from Knoxville. The County has four other incorporated municipalities: Rockwood, Harriman (the largest city) and Oliver Springs.

A portion of the City of Oak Ridge is also located in Roane County. This portion includes facilities run by the U.S. Department of Energy (the "DOE"): the Oak Ridge National Laboratory (the "ORNL") and the Y-12 National Security Complex (the "Y-12").

GENERAL

The land area of the County encompasses 361 square miles. A variety of crops are produced, with livestock and dairy products contributing materially to farm income.

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

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The population of Roane County numbered 54,181 persons in 2010 per the U.S. Bureau of the Census. The population of 2010 Census for Harriman was 6,350.

TRANSPORTATION

Rail service is provided by the main lines of the CSX and Louisville and Nashville railroads. Both railroads have extensive switching facilities and freight yards in Rockwood. Highway transportation is provided by U.S. Highways 27 and 70, and Interstate Highway 40. Access to Interstate 75 is within 10 miles of the Roane County border. The community airport is Rockwood Municipal located six miles in Rockwood with a 5,000-foot asphalt runway. A new general aviation airport in the East Tennessee Technology Park in Oak Ridge is in the process of being approved (please see "RECENT DEVELOPMENTS" for more information). The nearest commercial airport is the McGee Tyson Airport located in Knoxville about 50 miles to the east.

Barge service is available on the Tennessee, Emory and Clinch Rivers, with a port facility located in Rockwood. Channelization of the Tennessee River to a 9-foot minimum navigable depth

from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south. The River borders Knox, Blount, Roane, Loudon, Meigs, Rhea, Marion, Hamilton, Hardin, Wayne, Decatur, Perry, Benton, Humphreys, Henry, Houston and Stewart Counties in the state.

EDUCATION

The *Roane County School System* operates seventeen facilities for students living in the cities of Harriman, Kingston, Oliver Springs and Rockwood and in the County regions. There are seven elementary schools, four middle schools, five high schools and an Educational Center. The fall 2016 enrollment was 6,717 students with 450 teachers. The *Oak Ridge City School System* operates seven schools covering pre-school through 12. The fall 2016 enrollment was about 4,399 students with 334 teachers.

Source: Tennessee Department of Education.

Roane State Community College Oak Ridge Campus. Roane State Community College, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen-county area. Fall 2017 enrollment was about 5,626 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

Roane State's 104-acre main campus is centrally located in Roane County where a wide variety of programs are offered. Roane State has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in West Knoxville.

Source: Roane State Community College.

The Tennessee Technology Center at Harriman. The Tennessee Technology Center at Harriman 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 Harriman serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The Technology Center at Harriman began operations in 1970, and the main campus is located in Roane County. Fall 2015 enrollment was 502 students.

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

Oak Ridge Associated Universities (the "ORAU") is a consortium of 100 colleges and universities and a contractor for the DOE located in Oak Ridge, Tennessee. Founded in 1946, ORAU works with its member institutions that include the University of Tennessee and its satellite campuses. The purposes are to help their students and faculty gain access to federal research

facilities throughout the country. ORAU has contracted with the U.S. Nuclear Regulatory Commission since 1992 for radiation training and managing the Radiation Emergency Center / Training Site in Oak Ridge and the Technical Training Center in Chattanooga. Through the Oak Ridge Institute for Science and Education, the DOE facility that ORAU operates, undergraduates, graduates, postgraduates, as well as faculty enjoy access to a multitude of opportunities for study and research. A pioneer in technology transfer, with historic contributions in nuclear medicine and health physics, ORAU today conducts specialized training in nuclear related areas of energy, health and the environment. Appointment and program length range from one month to four years. Many of these programs are especially designed to increase the numbers of underrepresented minority students pursuing degrees in science - and engineering - related disciplines. ORAU currently does about \$100 million in work annually that falls outside the contract for managing the Oak Ridge Institute for Science and Education.

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

The University of Tennessee, Knoxville (the "UTK") is one of the oldest land-grant universities in the nation. There are 220 buildings on a 550-acre campus. Blount College, the UTK's forerunner, was established in Knoxville in 1794, two years before Tennessee became a state. With a fall 2017 enrollment of more than 28,321 students, UTK is the largest campus in the UT System. The University of Tennessee System is a statewide institution governed by a 26-member Board of Trustees appointed by the governor of Tennessee. Institutions of the UT system are UTK, UT Health Science Center in Memphis, UT Chattanooga, UT Martin, UT Space Institute in Tullahoma, and UT Institute for Public Service in Knoxville. In addition to the primary campus, the Agricultural Campus houses the UT Institute of Agriculture, a statewide administrative unit that includes the College of Veterinary Medicine, the College of Agricultural Sciences and Natural Resources, the Agricultural Extension Service and the Agricultural Experiment Stations.

UTK is a major research institution, attracting more than \$150 million in externally sponsored programs annually. The Division of Aeromedical Services is one of the country's most respected and comprehensive aeromedical programs. The university is a co-manager with Battelle of the nearby ORNL. UT-Battelle, LLC, was established in 2000 as a private not-for-profit company for the sole purpose of managing and operating the ORNL for the DOE. Formed as a 50-50 limited liability partnership between the University of Tennessee and Battelle Memorial Institute, UT-Battelle is the legal entity responsible delivering the DOE's research mission at ORNL. Faculty and students experience unparalleled research and learning opportunities at the DOE's largest science and energy lab.

The University conducts externally-funded research totaling more than \$300 million annually, including some \$17.3 million annually in research sponsored by ORNL. Areas of joint research with ORNL include the Bioenergy Science Center's work on cellulosic ethanol; the Center for Computational Sciences partnership with the National Science Foundation; and the Science Alliance, with divisions in biological, chemical, physical, and mathematical/computer science. UT/ORNL Joint Institutes and Centers include Biological Sciences, Computational Sciences, Neutron Sciences, Heavy Ion Research and the National Transportation Center.

Source: University of Tennessee, UT-Battelle and Knoxville News Sentinel.

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MEDICAL

Roane County residents have access to two hospitals, Methodist Medical Center and Roane Medical Center, which are both affiliated with Covenant Health. Covenant Health, headquartered in nearby Knoxville, has nine acute-care hospitals, inpatient and outpatient cancer care, behavioral and rehabilitation centers, home health, outpatient surgery and diagnostic centers, physician offices and more. More than 10,000 people are employed by Covenant Health and its member organizations, with nearly 1,500 affiliated physicians. Covenant Health is a comprehensive health system established in 1996.

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

Source: Covenant Health and Methodist Medical Center.

Roane Medical Center is a 105-bed facility located in Harriman. There is a large medical staff of about 140 physicians and nurses. The facility provides a full array of inpatient and outpatient services, including a six-bed critical care unit with intensive/pulmonologist coverage, extensive imaging center including MRI, CT, nuclear imaging, and a Heart Care Center staffed by board certified physicians. The hospital also has a full service ER with 24-hour emergency medicine physician coverage. In 2008 it joined Covenant Health (based in Knoxville) as the sixth acute care facility in the health system.

Source: Covenant Health and Roane Medical Center.

SCIENCE AND ENERGY

History

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. The original town site was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project (known as the "Manhattan Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955 the Atomic Energy Commission sold the homes and land to the residents. In 1959 the residents voted in favor of incorporation under a modified city manager-council form of government.

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

production during the war, 23,000 employees kept the separation units working at a cost of \$500 million for the entire project.

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

Research

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

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

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

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

banking, automobile and transportation, hotels, restaurants, hospitals, and business services.

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

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

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

ORNL's *Supercomputers* are housed in a 170,000-square-foot facility that includes 449 staff and 40,000 square feet of space for computer systems and data storage. The facility will house or has housed five supercomputers, the currently under construction "Summit", the as of yet unnamed exascale computer, the "Titan" (currently the world's second fastest supercomputer), the "Kraken", and the now dismantled "Jaguar" (which at one point was the world's fastest supercomputer). The machines will work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across society.

The DOE awarded IBM an estimated \$162 million contract to build the new "Summit" supercomputer (expected to be fully operational by early 2019) at ORNL to be used for a wide range of scientific applications including combustion science, climate change, energy storage and nuclear power. The "Summit" is expected to be five times faster than the "Titan" supercomputer already online at ORNL. Titan is able to make about 27 quadrillion calculations per second, measured as 27 petaflops. Summit will expand that capability to around 200 petaflops. Due to all the energy and heat that the new supercomputer will produce while computing 200 petaflops, Summit will produce more heat per square centimeter than tiles on the bottom of a spaceship re-entering Earth's atmosphere. Therefore, Summit will be cooled by water pumped through plates that sit on top of the computer's chips. In all, Summit will use up to 15 megawatts, equivalent to the power 9,000 to 18,000 homes would consume, depending on the time of day. At peak, Titan uses about 9 megawatts.

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And the yet-unnamed exascale computer (which will be the world's first) ORNL hopes to build by 2021 and will be 50 times faster than the fastest supercomputer in use today. This exascale computer will take the place of Titan.

The National Oceanic and Atmospheric Administration (the "NOAA") sponsors the supercomputer, called "Titan", funded with Recovery Act money. NOAA awarded Cray and ORNL a \$47 million contract to provide the supercomputer "Titan" to work on climate research. The Cray supercomputer, the "Titan", was online in late 2012 (and was ranked the fastest supercomputer in the world in 2012) after several years of development to replace the "Jaguar" supercomputer at ORNL. When the "Titan" was listed as the world's fastest computer in late 2012 it marked the fourth time a computer from ORNL has achieved that distinction since 1953. The "Titan's" purpose is to support research in energy, climate change, efficient engines and materials science. "Titan" has been billed as a 17.5-petaflops machine, which means it is capable of a peak performance of about 17,500 trillion (or 17.5 quadrillion) mathematical calculations per second. That speed is about 10 times the capability of the first "Jaguar", which at one time was the world's fastest computer. The total cost of the "Titan" was estimated to be about \$100 million, but about \$20 million was saved by reusing much of the "Jaguar" structure.

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

The DOE awarded ORNL and its development partners – Cray Inc., IBM Corp. and Silicon Graphics Inc. - \$25 million in funding to build the "Jaguar" supercomputer, which is now obsolete and replaced as of 2012.

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

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

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

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

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

Nuclear

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

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

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

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

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

Y-12 has been undergoing a major modernization program. Y-12 is a key facility in the U.S. Nuclear Weapons Complex and is responsible for ensuring the safety, reliability, and security of the nuclear weapons stockpile and serves as the nation's primary repository of highly enriched uranium.

Y-12 houses the country's stockpile of bomb-grade uranium, builds uranium bomb parts and dismantles nuclear weapon systems as needed to support a much smaller nuclear arsenal. The National Nuclear Security Administration (the “NNSA”) is planning to transform the nuclear weapons complex to be smaller, more efficient and more cost effective. The goal is by 2020 to have only two facilities where there used to be 700 buildings.

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

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

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

The *Uranium Processing Facility* (the “UPF”) Project, cornerstone of Y-12's new modernization strategy, will replace current enriched uranium and other processing operations. It will replace Y-12's main production center and cost billions of dollars. The design phase began in 2006, construction began in 2009, and should be in operation by 2025. Construction of the UPF will accelerate consolidation of aging facilities, bringing production operations currently housed in multiple buildings together, reducing the size of the plant's highest security area by 90 percent, improving the overall security posture, making the plant more secure and saving millions of dollars in annual operating costs.

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

POWER PRODUCTION

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

Electricity is produced at each of Kingston’s nine coal-fired units by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Kingston generates about 10 billion kilowatt-hours of electricity a year, enough to supply more than 700,000 homes.

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To reduce sulfur dioxide (SO₂) emissions, all nine units use a blend of low-sulfur coal. Scrubbers are being added to the units to further reduce SO₂. This project cost about \$500 million. TVA spent about \$6 billion on emissions controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

Much of Roane County's growth and prosperity during the last thirty years can be attributed to the fact that Roane County is located at the heart of the Tennessee Valley Authority's electric power system. Another TVA project, the Watts Bar Dam and Hydroelectric Plant, is located eight miles southwest of Roane County. These abundant sources of power and water have attracted a diverse group of manufacturers and businesses to the County.

A robust industrial recruitment program is underway to bring high-paying jobs into the County's abundant industrial parks. The County has 4,455 acres already zoned and is being developed for industry. In addition, the County has just adopted an aggressive tax abatement program that will allow attractive tax incentive packages for industries based on economic impact.

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

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

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

Harriman Industrial Park. This 91-acre park is located on the Tennessee River, adjacent to the 9-foot navigation channel of the waterway system.

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

corporate headquarters located in the park, Carbon Fiber Technology, which opened in 2013.

Roane County Industrial Park. Located near Rockwood and Harriman less than 3 miles from I-40, this older and established industrial park has rail access on site. It contains 500 acres of which 80 acres are left for development. This park is where some of the county's larger, long-term employers are located.

Roane Regional Business and Technology Park. The County's newest industrial park is Roane Regional Business and Technology Park, with 655 acres located east of Kingston on Interstate 40. Anchored by The H.T. Hackney Company of Knoxville, which in early 2005 has built its new distribution and service center and brought 250 initial jobs to the county, the park is also home to other industries: Protean Scientific Instruments; Pegasus Technologies, Dienamic Tooling Systems (DTS) and EOD Technology Inc. The estimated cost of the park development was about \$13,500,000. This new park has an interchange off Interstate 40, an \$18.3 million state Department of Transportation project opened in 2008.

Major Employers within the County

| <u>Company</u> | <u>Product</u> | <u>Employees</u> |
|-------------------------------|------------------------------|------------------|
| Roane County Schools | Education | 1,050 |
| Roane County Government | Government | 472 |
| Roane State Community College | Education | 409 |
| Chase Instruments | Pharmaceutical Glassware | 400 |
| TVA Steam Plant | Electricity | 318 |
| Roane Medical Center | Hospital | 312 |
| Energy Solutions | Industrial Waste Disposal | 300 |
| H.T. Hackney Co. | Distribution | 250 |
| GTS Duratek | Disposal of hazardous wastes | 250 |
| Alba Waldensian | Surgical Hosiery | 165 |
| Richards Industries | Rebuilt Nozzles | 150 |
| Bayou Steel | Rolled Steel Products | 126 |
| TOHO Carbon Fibers, Inc. | Carbon Fibers | 120 |
| Harrison Construction | Concrete | 100 |
| Roane Transportation | Scrap Metal Processing | 90 |
| Clayton Homes | Mobile Homes | 93 |
| Thermo Fisher | Pharmaceuticals glassware | 74 |
| City of Harriman | Government | 73 |
| City of Kingston | Government | 73 |

Source: Department of Economic & Community Development, Knoxville News Sentinel - 2018.

In addition to the above-mentioned employers, many residents of Roane County are employed in Oak Ridge at the various facilities of the DOE. A major portion of the production facilities is physically located in Roane County. Latest available figures reveal that DOE, in its various Oak Ridge operations, had over 11,300 employees.

EMPLOYMENT INFORMATION

For the month of November 2017, the unemployment rate for the County stood at 3.8% with 22,360 persons employed out of a labor force of 23,250.

The Knoxville MSA's unemployment for November 2017 was at 3.1% with 405,220 persons employed out of a labor force of 418,370. As of November 2017, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 3.2%, representing 519,120 persons employed out of a workforce of 536,280.

| | 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% | 6.7% | 5.8% | 4.8% |
| Roane County | 7.6% | 8.0% | 7.4% | 6.6% | 5.6% |
| Index vs. National | 94 | 108 | 119 | 125 | 114 |
| Index vs. State | 95 | 98 | 110 | 114 | 117 |
| Knoxville MSA | 6.6% | 6.9% | 6.2% | 5.4% | 4.5% |
| Index vs. National | 81 | 93 | 100 | 102 | 92 |
| Index vs. State | 82 | 84 | 93 | 93 | 94 |
| Knoxville-Sevierville-Harriman CSA | 7.5% | 7.7% | 6.5% | 6.5% | 4.7% |
| Index vs. National | 93 | 104 | 105 | 125 | 96 |
| Index vs. State | 94 | 94 | 97 | 112 | 98 |

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

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ECONOMIC DATA

Per Capita Personal Income

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| National | \$42,453 | \$44,267 | \$44,462 | \$46,414 | \$48,112 |
| Tennessee | \$37,452 | \$38,771 | \$38,806 | \$40,233 | \$42,094 |
| Roane County | \$34,123 | \$34,911 | \$34,854 | \$35,955 | \$37,441 |
| Index vs. National | 80 | 79 | 78 | 77 | 78 |
| Index vs. State | 91 | 90 | 90 | 89 | 89 |
| Knoxville MSA | \$36,331 | \$37,981 | \$37,764 | \$39,188 | \$40,870 |
| Index vs. National | 86 | 86 | 85 | 84 | 85 |
| Index vs. State | 97 | 98 | 97 | 97 | 97 |
| Knoxville-Sevierville-Harriman CSA | \$34,882 | \$36,329 | \$36,275 | \$37,595 | \$39,187 |
| Index vs. National | 82 | 82 | 82 | 81 | 81 |
| Index vs. State | 93 | 94 | 93 | 93 | 93 |

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

Social and Economic Characteristics

| | <u>National</u> | <u>Tennessee</u> | <u>Roane County</u> | <u>Kingston</u> | <u>Harriman</u> | <u>Rockwood</u> |
|--|-----------------|------------------|---------------------|-----------------|-----------------|-----------------|
| Median Value Owner Occupied Housing | \$184,700 | \$146,000 | \$127,900 | \$143,600 | \$79,000 | \$73,200 |
| % High School Graduates or Higher Persons 25 Years Old and Older | 87.0% | 86.0% | 85.8% | 88.1% | 81.5% | 79.9% |
| % Persons with Income Below Poverty Level | 12.7% | 15.8% | 14.2% | 11.3% | 24.4% | 26.1% |
| Median Household Income | \$55,322 | \$46,574 | \$42,299 | \$45,575 | \$26,280 | \$29,003 |

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

TOURISM AND RECREATION

American Museum of Science and Energy. Drawing thousands of visitors from across the United States and abroad are the American Museum of Science and Energy and the Oak Ridge Graphite Reactor. More than 225,000 persons visit the Museum annually. The museum opened in 1949 in an old wartime cafeteria of the ORNL. Its guided tours took visitors through the peaceful uses of atomic energy. The present facility, opened in 1975, continues to provide the general public with energy information. The museum includes historical photographs, documents and artifacts explaining the story of Oak Ridge and the Manhattan Project. There is an Exploration Station that

offers self-directed activities which explore light and color, sound, problem-solving, static electricity, robotics, vision and more. It also includes exhibits on Y-12 and National Defense, the Earth's energy resources and nuclear reactors and energy.

The X-10 Graphite Reactor at ORNL, formerly known as the Clinton Pile and X-10 Pile, was the world's second artificial nuclear reactor and was the first reactor designed and built for continuous operation. The Graphite Reactor is open to the public and a National Historic Landmark.

Also, an overlook display at the Oak Ridge Gaseous Diffusion Plant and facilities of the TVA is available for visitors.

Source: American Museum of Science and Energy.

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

Source: Forest Resources Research and Education Center.

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

Source: Tennessee Valley Authority.

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

Norris Reservoir. Norris Reservoir extends 73 miles up the Clinch River and 56 miles up the Powell from Norris Dam. It covers 5 counties: Anderson, Campbell, Union, Claiborne and Grainger Counties. Norris provides 809 miles of shoreline and 33,840 acres of water surface. It is the largest reservoir on a tributary of the Tennessee River. Norris Reservoir is an important component of the

system TVA set up to reduce the risks of these disasters. The area around the Clinch River receives more than 45 inches of rain a year. In the past, floodwaters on the Clinch sometimes inundated areas hundreds of miles downstream. The recreational use of Norris Reservoir exceeds that of any other tributary reservoir in the TVA river system. Water sports at Norris include boating, water skiing, swimming, and excellent fishing.

Source: Tennessee Valley Authority.

Watts Bar Reservoir. TVA's Watts Bar Dam is located along the Meigs and Rhea County line on the Tennessee River. Watts Bar Reservoir extends 72.4 miles northeast from the Dam to Fort Loudoun Dam through Rhea, Meigs, Roane and Loudon Counties. Watts Bar, located about midway between Knoxville and Chattanooga, is one of nine TVA dams on the Tennessee River. The reservoir attracts millions of recreational visits each year for boating, fishing, swimming, camping, and other outdoor activities. Watts Bar also creates a slack-water channel for navigation more than 20 miles up the Clinch River and 12 miles up its tributary, the Emory. The lock at Watts Bar handles more than a million tons of cargo a year, and the reservoir plays an important role in flood control. In conjunction with other tributary and main-river reservoirs above Chattanooga, it is of special value to that city, which is the point of greatest flood hazard in the Valley.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

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

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

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

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

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

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

ORNL Credit Union. The ORNL Credit Union opened its \$30 million corporate headquarters in the Horizon Center in 2011. The consolidation of operations in Anderson and Knox Counties employ about 257 people, with an additional 100 more workers hired in the next 10-15 years.

Roane Medical Center. Roane Medical Center, founded in 1939, finished construction of a \$76 million, 145,000-square-foot replacement hospital in early 2013. The new facility was moved to 64 acres off Roane State Highway in Midtown and includes private rooms, 15 emergency suites, a new cardiac cath lab, digital women's services, enlarged nursing units and larger parking areas. The Medical Center became affiliated with Covenant in May 2008. Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. With headquarters located in nearby Knoxville, the system provides comprehensive services throughout East Tennessee. It is also the largest employer in the area. The organization is governed by a voluntary board of directors composed of community leaders and medical professionals.

Toho Tenax America Inc. In 2013 Toho laid off 65 employees as it shifts its production to Japan and Germany. Due to the economy, Toho Tenax laid off 69 employees in early 2009. The plant makes carbon fiber for industrial, automotive, aerospace and sporting-goods manufacturers.

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

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ROANE COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

| AMOUNT ISSUED | PURPOSE | DUE DATE | INTEREST RATE(S) | AMOUNT OUTSTANDING |
|----------------------|--|-------------|---------------------|-----------------------|
| 9,975,000 | General Obligation Refunding Bonds, Series 2008A | June 2022 | Fixed | 540,000 |
| 7,410,000 | General Obligation Refunding Bonds, Series 2008B | June 2022 | Fixed | 5,575,000 |
| 8,325,000 | General Obligation Bonds, Series 2009A | June 2024 | Fixed | 3,475,000 |
| 7,300,000 | General Obligation Bonds, Series 2010A | June 2025 | Fixed | 2,050,000 |
| 750,000 | (3) Loan Agreement, Series B-20-A | June 2027 | Fixed | 750,000 |
| 9,770,000 | General Obligation Refunding Bonds, Series 2017A | May 2029 | Fixed | 9,770,000 |
| 1,470,000 | General Obligation Refunding Bonds, Series 2017B (Federally Taxable) | May 2024 | Fixed | 1,470,000 |
| 944,127 | EESI Loans | March 2023 | Fixed | 495,581 |
| 1,600,000 | Rural School Refunding Bonds, Series 2008C | June 2020 | Fixed | 425,000 |
| 1,325,000 | Rural School Bonds, Series 2009B | June 2020 | Fixed | 420,000 |
| 1,180,000 | Rural School Refunding Bonds, Series 2010B | June 2019 | Fixed | 200,000 |
| 11,435,000 | Rural School Refunding Bonds, Series 2014 (Post Issuance 9-8-2017) | May 2018 | Fixed | 1,350,000 |
| 6,450,000 | Rural School Refunding Bonds, Series 2017C (Issued 9-8-2017) | May 2022 | Fixed | 6,450,000 |
| 620,000 | (2) Water Revenue and Tax Bonds, Series 2002 (RD) | Apr. 2040 | Fixed | (2) 491,421 |
| 4,468,000 | (4) Loan Agreement, Series 2011 (State Loan) (Assumes Full Drawdown) | | Fixed | (2) 3,811,143 |
| <u>\$ 73,022,127</u> | TOTAL BONDED DEBT (1) | | | <u>\$ 37,273,145</u> |
| \$ 8,805,000 | General Obligation Refunding Bonds, Series 2018 | June 2024 | Fixed | \$ 8,805,000 |
| (33,010,000) | Less: Refunded 2008A Bonds, 2008B Bonds, 2009A Bonds and 2010A Bonds | June 2025 | Fixed | (9,765,000) |
| <u>\$48,817,127</u> | NET BONDED DEBT | | | <u>\$36,313,145</u> |

NOTES:

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

(2) Self supporting debt

(3) The Series B-20-A Loan Agreement are being issued to fund the County's remaining commitment to the Plateau Partnership Park.

(4) The State approved a loan for \$4,468,000 of which \$4,000,671 had been drawn down as of June 30, 2016. Once the loan has been drawn down the repayment schedule will starts over a 20 year period.

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

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR, and the table should be read in conjunction with those statements.

| | For the Fiscal Year Ended June 30 | | | Unaudited 2017 | After Issuance 2018 |
|--|-----------------------------------|---------------------|---------------------|---------------------|---------------------------|
| | 2014 | 2015 | 2016 | | |
| INDEBTEDNESS | | | | | |
| TAX SUPPORTED | | | | | |
| G.O. Bonds & Notes - County-Wide | \$29,575,529 | \$27,622,213 | \$25,663,897 | \$24,020,581 | \$23,130,581 |
| G.O. Bonds - Rural Debt Service | 11,935,000 | 10,680,000 | 9,375,000 | 8,000,000 | 8,000,000 |
| G.O. Bonds - Education Debt Service | 1,580,000 | 1,340,000 | 1,095,000 | 845,000 | 845,000 |
| G.O. Bonds - Sewer System - Includes full SRF Loan | 5,192,893 | 5,152,260 | 5,017,595 | 4,407,564 | 4,337,564 |
| TOTAL TAX SUPPORTED | \$48,283,422 | \$44,794,473 | \$41,151,492 | \$37,273,145 | \$36,313,145 |
| TOTAL DEBT | | | | | |
| Less: D.S. Fund - County-Wide | \$48,283,422 | \$44,794,473 | \$41,151,492 | \$37,273,145 | \$36,313,145 |
| Less: D.S. Fund - Rural & Education Debt Service | (2,486,672) | (2,170,405) | (2,074,701) | (2,074,701) | (2,074,701) |
| Less: Revenue Supported Sewer System Debt | (2,158,480) | (1,892,106) | (1,664,245) | (1,664,245) | (1,664,245) |
| | (5,192,893) | (5,152,260) | (5,017,595) | (4,407,564) | (4,337,564) |
| NET DIRECT DEBT | \$38,445,377 | \$35,579,702 | \$32,394,951 | \$29,126,635 | \$28,236,635 |
| PROPERTY TAX BASE | | | | | |
| County-Wide | | | | | |
| Estimated Actual Value | 4,668,214,775 | 4,711,857,217 | 4,505,746,911 | \$4,609,054,400 | 4,609,054,400 |
| Estimated Appraised Value | 4,668,214,775 | 4,711,857,217 | 4,505,746,911 | \$4,609,054,400 | 4,609,054,400 |
| Estimated Assessed Value | 1,284,869,269 | 1,302,085,700 | 1,252,522,987 | \$1,291,660,826 | 1,291,660,826 |
| Rural - (1) | | | | | |
| Estimated Actual Value | 3,780,915,366 | 3,790,396,933 | 3,634,826,056 | \$3,739,821,743 | 3,739,821,743 |
| Estimated Appraised Value | 3,780,915,366 | 3,790,396,933 | 3,634,826,056 | \$3,739,821,743 | 3,739,821,743 |
| Estimated Assessed Value | 1,012,927,692 | 1,016,778,673 | 980,429,631 | \$1,021,188,355 | 1,021,188,355 |
| Education - (2) | | | | | |
| Estimated Actual Value | 4,140,049,663 | 4,152,147,983 | 3,994,349,596 | \$4,102,157,724 | 4,102,157,724 |
| Estimated Appraised Value | 4,140,049,663 | 4,152,147,983 | 3,994,349,596 | \$4,102,157,724 | 4,102,157,724 |
| Estimated Assessed Value | 1,127,339,807 | 1,132,269,092 | 1,095,996,075 | \$1,137,756,726 | 1,137,756,726 |

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

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

| DEBT RATIOS - COUNTY-WIDE | For the Fiscal Year Ended June 30 | | | | Unaudited 2017 | After Issuance 2018 |
|--|-----------------------------------|-------------|-------------|--|--------------------------|-------------------------------|
| | 2014 | 2015 | 2016 | | | |
| TOTAL DEBT to Estimated Actual Value | 1.03% | 0.95% | 0.91% | | 0.81% | 0.79% |
| TOTAL DEBT to Appraised Value | 1.03% | 0.95% | 0.91% | | 0.81% | 0.79% |
| TOTAL DEBT to Assessed Value | 3.76% | 3.44% | 3.29% | | 2.89% | 2.81% |
| NET DIRECT DEBT to Estimated Actual Value | 0.82% | 0.76% | 0.72% | | 0.63% | 0.61% |
| NET DIRECT DEBT to Appraised Value | 0.82% | 0.76% | 0.72% | | 0.63% | 0.61% |
| NET DIRECT DEBT to Assessed Value | 2.99% | 2.73% | 2.59% | | 2.25% | 2.19% |
| <i>PER CAPITA RATIOS - COUNTY-WIDE</i> | | | | | | |
| POPULATION (1) | 52,748 | 52,753 | 52,874 | | 52,874 | 52,874 |
| PER CAPITA PERSONAL INCOME (2) | \$35,955 | \$37,441 | \$37,441 | | \$37,441 | \$37,441 |
| Estimated Actual Value to POPULATION | 88,500 | 89,319 | 85,217 | | 87,171 | 87,171 |
| Assessed Value to POPULATION | 24,359 | 24,683 | 23,689 | | 24,429 | 24,429 |
| TOTAL DEBT to POPULATION | 915 | 849 | 778 | | 705 | 687 |
| NET DIRECT DEBT to POPULATION | 729 | 674 | 613 | | 551 | 534 |
| Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 2.55% | 2.27% | 2.08% | | 1.88% | 1.83% |
| NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME | 2.03% | 1.80% | 1.64% | | 1.47% | 1.43% |

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

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

| DEBT RATIOS - RURAL | For the Fiscal Year Ended June 30 | | | Unaudited | After Issuance |
|--|-----------------------------------|-------------|-------------|-------------|----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| TOTAL DEBT to Estimated Actual Value | 0.32% | 0.28% | 0.26% | 0.21% | 0.21% |
| TOTAL DEBT to Appraised Value | 0.32% | 0.28% | 0.26% | 0.21% | 0.21% |
| TOTAL DEBT to Assessed Value | 1.18% | 1.05% | 0.96% | 0.78% | 0.78% |
| NET DIRECT DEBT to Estimated Actual Value | 0.26% | 0.23% | 0.21% | 0.17% | 0.17% |
| NET DIRECT DEBT to Appraised Value | 0.26% | 0.23% | 0.21% | 0.17% | 0.17% |
| NET DIRECT DEBT to Assessed Value | 0.97% | 0.86% | 0.79% | 0.62% | 0.62% |
| PER CAPITA RATIOS - RURAL | | | | | |
| POPULATION (1) | 17,226 | 17,227 | 17,306 | 17,306 | 17,306 |
| PER CAPITA PERSONAL INCOME (2) | \$35,955 | \$37,441 | \$37,441 | \$37,441 | \$37,441 |
| Estimated Actual Value to POPULATION | 219,489 | 220,027 | 210,033 | 216,100 | 216,100 |
| Assessed Value to POPULATION | 58,802 | 59,022 | 56,653 | 59,008 | 59,008 |
| TOTAL DEBT to POPULATION | 693 | 620 | 542 | 462 | 462 |
| NET DIRECT DEBT to POPULATION | 568 | 510 | 446 | 366 | 366 |
| Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 1.93% | 1.66% | 1.45% | 1.23% | 1.23% |
| NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME | 1.58% | 1.36% | 1.19% | 0.98% | 0.98% |

(1) Computations are based upon the U.S. Census population as reported in the Tax Aggregate Report that includes only that portion of the County population residing outside of the Cities of Harriman and Oak Ridge (the Tax Aggregate Report does not report the population for those residents of Oak Ridge living in Roane County.).

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

| DEBT RATIOS - EDUCATION DEBT SERVICE | For the Fiscal Year Ended June 30 | | | Unaudited | After Issuance |
|--|-----------------------------------|-------------|-------------|-------------|----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| TOTAL DEBT to Estimated Actual Value | 0.04% | 0.03% | 0.03% | 0.02% | 0.02% |
| TOTAL DEBT to Appraised Value | 0.04% | 0.03% | 0.03% | 0.02% | 0.02% |
| TOTAL DEBT to Assessed Value | 0.14% | 0.12% | 0.10% | 0.07% | 0.07% |
| NET DIRECT DEBT to Estimated Actual Value | 0.04% | 0.03% | 0.03% | 0.02% | 0.02% |
| NET DIRECT DEBT to Appraised Value | 0.04% | 0.03% | 0.03% | 0.02% | 0.02% |
| NET DIRECT DEBT to Assessed Value | 0.14% | 0.12% | 0.10% | 0.07% | 0.07% |
| PER CAPITA RATIOS - RURAL | | | | | |
| POPULATION (1) | 23,445 | 23,451 | 23,524 | 23,524 | 23,524 |
| PER CAPITA PERSONAL INCOME (2) | \$35,955 | \$37,441 | \$37,441 | \$37,441 | \$37,441 |
| Estimated Actual Value to POPULATION | 176,586 | 177,056 | 169,799 | 174,382 | 174,382 |
| Assessed Value to POPULATION | 48,084 | 48,282 | 46,591 | 48,366 | 48,366 |
| TOTAL DEBT to POPULATION | 67 | 57 | 47 | 36 | 36 |
| NET DIRECT DEBT to POPULATION | 67 | 57 | 47 | 36 | 36 |
| Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 0.19% | 0.15% | 0.12% | 0.10% | 0.10% |
| NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME | 0.19% | 0.15% | 0.12% | 0.10% | 0.10% |

(1) Computations are based upon the U.S. Census population as reported in the Tax Aggregate Report that includes only that portion of the County population residing outside of the City of Oak Ridge (the Tax Aggregate Report does not report the population for those residents of Oak Ridge living in Roane County).

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

ROANE COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
 General Debt Service Fund

| F.Y. Ended 6/30 | Existing Debt as of June 30, 2017 (1) | | Less: Bonds Being Refunded | | General Obligation Refunding Bonds, Series 2018 | | % 2018 Principal Repaid | | Total Bonded Debt Service Requirements (1) | | | % All Principal Repaid |
|-----------------------|---------------------------------------|--------------|----------------------------|----------------|--|--------------|-------------------------------|----------|---|--------------|---------------|------------------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest(2) | Principal | Interest | Principal | Interest | TOTAL | |
| 2018 | \$ 2,338,316 | \$ 749,096 | \$ 3,087,412 | \$ (197,791) | \$ (197,791) | \$ - | \$ - | 0.00% | \$ 2,338,316 | \$ 551,305 | \$ 2,889,621 | 10.11% |
| 2019 | 2,413,316 | 667,409 | 3,080,725 | (393,306) | (2,318,306) | 1,740,000 | 516,071 | 19.76% | 2,228,316 | 790,173 | 3,018,489 | |
| 2020 | 2,533,316 | 577,396 | 3,110,712 | (311,094) | (2,336,094) | 1,915,000 | 353,250 | 41.51% | 2,423,316 | 619,553 | 3,042,869 | |
| 2021 | 2,253,316 | 490,171 | 2,743,487 | (232,069) | (1,937,069) | 1,615,000 | 257,500 | 59.85% | 2,163,316 | 515,603 | 2,678,919 | |
| 2022 | 2,308,383 | 416,084 | 2,724,467 | (166,981) | (1,951,981) | 1,700,000 | 176,750 | 79.16% | 2,223,383 | 425,853 | 2,649,236 | 49.18% |
| 2023 | 2,143,934 | 337,109 | 2,481,043 | (97,406) | (1,047,406) | 900,000 | 91,750 | 89.38% | 2,093,934 | 331,453 | 2,425,387 | |
| 2024 | 2,200,000 | 275,594 | 2,475,594 | (1,025,000) | (1,085,031) | 935,000 | 46,750 | 100.00% | 2,110,000 | 262,313 | 2,372,313 | |
| 2025 | 1,905,000 | 201,438 | 2,106,438 | (280,000) | (290,500) | - | - | | 1,625,000 | 190,938 | 1,815,938 | |
| 2026 | 1,750,000 | 151,688 | 1,901,688 | - | - | - | - | | 1,750,000 | 151,688 | 1,901,688 | |
| 2027 | 1,775,000 | 105,438 | 1,880,438 | - | - | - | - | | 1,775,000 | 105,438 | 1,880,438 | 89.62% |
| 2028 | 1,200,000 | 60,000 | 1,260,000 | - | - | - | - | | 1,200,000 | 60,000 | 1,260,000 | |
| 2029 | 1,200,000 | 30,000 | 1,230,000 | - | - | - | - | | 1,200,000 | 30,000 | 1,230,000 | 100.00% |
| | \$ 24,020,581 | \$ 4,061,421 | \$ 28,082,002 | \$ (9,695,000) | \$ (1,442,071) | \$ 8,805,000 | \$ 1,442,071 | | \$ 23,130,581 | \$ 4,034,313 | \$ 27,164,895 | |

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report". Includes EESI Loans paid by schools.
- (2) Average Coupon 5.00%.

ROANE COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
 Education Debt Service
 As of June 30, 2017

| F.Y. Ended <u>6/30</u> | Total Education Debt Service Requirements | | | % Principal Repaid |
|------------------------------|--|------------------|-------------------|--------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>TOTAL</u> | |
| 2018 | \$ 280,000 | \$ 35,670 | \$ 315,670 | 33.14% |
| 2019 | 280,000 | 23,695 | 303,695 | 66.27% |
| 2020 | 285,000 | 12,075 | 297,075 | 100.00% |
| | <u>\$ 845,000</u> | <u>\$ 71,440</u> | <u>\$ 916,440</u> | |

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report". Debt is backed by the full, faith and credit of Roane County lying outside the City of Oak Ridge, Tennessee.

ROANE COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
 Water and Sewer System
 As of June 30, 2017

| F.Y. Ended 6/30 | Existing Debt | | Less: Bonds Being Prepaid with Cash | | Estimated Repayment Schedule | | Total Water and Sewer | | % Principal Repaid |
|-----------------------|-------------------|-------------------|-------------------------------------|-------------------|------------------------------|-------------------|-----------------------|---------------------|--------------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest (2) | Principal | Interest | |
| 2018 | \$ 47,258 | \$ 26,407 | \$ - | \$ - | \$ 192,912 | \$ 72,516 | \$ 240,170 | \$ 98,923 | 5.54% |
| 2019 | 47,853 | 24,762 | (35,000) | (2,275) | 196,356 | 69,072 | 209,209 | 91,559 | |
| 2020 | 48,477 | 23,001 | (35,000) | (1,138) | 199,860 | 65,568 | 213,337 | 87,432 | |
| 2021 | 14,131 | 21,209 | - | - | 203,424 | 62,004 | 217,555 | 83,213 | |
| 2022 | 14,817 | 20,523 | - | - | 207,060 | 58,368 | 221,877 | 78,891 | 25.41% |
| 2023 | 15,537 | 19,803 | - | - | 210,744 | 54,684 | 226,281 | 74,487 | |
| 2024 | 16,291 | 19,049 | - | - | 214,512 | 50,916 | 230,803 | 69,965 | |
| 2025 | 17,082 | 18,258 | - | - | 218,340 | 47,088 | 235,422 | 65,346 | |
| 2026 | 17,911 | 17,429 | - | - | 222,240 | 43,188 | 240,151 | 60,617 | |
| 2027 | 18,781 | 17,429 | - | - | 226,200 | 39,228 | 244,981 | 56,657 | 52.56% |
| 2028 | 19,692 | 16,559 | - | - | 230,232 | 35,196 | 249,924 | 51,755 | |
| 2029 | 20,648 | 15,648 | - | - | 234,348 | 31,080 | 254,996 | 46,728 | |
| 2030 | 21,651 | 14,692 | - | - | 238,524 | 26,904 | 260,175 | 41,596 | |
| 2031 | 22,702 | 13,689 | - | - | 242,784 | 22,644 | 265,428 | 36,333 | |
| 2032 | 23,804 | 11,536 | - | - | 247,116 | 18,312 | 270,920 | 29,848 | |
| 2033 | 24,960 | 10,380 | - | - | 251,532 | 13,896 | 276,492 | 24,276 | 82.56% |
| 2034 | 26,171 | 9,169 | - | - | 256,020 | 9,408 | 282,191 | 18,577 | |
| 2035 | 27,442 | 7,898 | - | - | 18,939 | 340 | 46,381 | 8,238 | |
| 2036 | 28,774 | 6,566 | - | - | - | - | 28,774 | 6,566 | |
| 2037 | 30,171 | 5,169 | - | - | - | - | 30,171 | 5,169 | 97.87% |
| 2038 | 31,636 | 3,704 | - | - | - | - | 31,636 | 3,704 | |
| 2039 | 33,172 | 2,169 | - | - | - | - | 33,172 | 2,169 | |
| 2040 | 27,460 | 580 | - | - | - | - | 27,460 | 580 | 100.00% |
| | \$ 596,421 | \$ 325,629 | \$ (70,000) | \$ (3,413) | \$ 3,811,143 | \$ 720,412 | \$ 4,337,564 | \$ 1,042,629 | |
| | | | | | | | | | \$ 5,380,193 |

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report". Includes the estimated repayment schedule for the State Revolving Loan Fund in the amount of \$4,468,000 that has been authorized.

FINANCIAL INFORMATION

INTRODUCTION

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

BASIS OF ACCOUNTING AND PRESENTATION

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

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

BUDGETARY PROCESS

All operating departments of the County are required to submit line-item budgets to the County Mayor on or before April 1 of each year or on such date as may be prescribed by the County's Budget Committee. The Budget Committee reviews departmental budgets compiled by the County Mayor and submitted by the various departments. Normally, a budget is adopted in June or July for the fiscal year which begins on July 1. The Board of Commissioners has the authority to amend, reduce or add to the budget submitted by County operating departments; however, there is no authority to make transfers among the major funds. The Board of Commissioners may make amendments within funds during the year; however, amendments to the school system operating budget must first be approved by the elected County School Board.

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

| <u>For the Fiscal Year Ended June 30,</u> | | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|
| <u>Fund Type</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Unaudited 2017</u> |
| <i>Governmental Funds:</i> | | | | | |
| General | \$ 4,943,990 | \$ 4,990,409 | \$ 5,793,439 | \$ 7,108,859 | \$ 7,215,609 |
| Public Works | 1,025,405 | 789,242 | 911,399 | 1,137,633 | 1,608,211 |
| General Debt Service | 2,808,754 | 2,486,672 | 2,170,405 | 2,074,701 | 1,938,589 |
| General Capital Projects | 2,504,830 | 2,613,398 | 2,551,783 | 1,964,930 | 2,577,472 |
| Other | <u>5,470,221</u> | <u>5,963,523</u> | <u>4,693,144</u> | <u>4,483,890</u> | <u>4,052,537</u> |
| Total | <u>\$17,248,370</u> | <u>\$16,843,244</u> | <u>\$16,120,170</u> | <u>\$16,770,013</u> | <u>\$17,392,418</u> |
| <i>Proprietary Net Assets:</i> | | | | | |
| Public Utility Fund | \$1,279,483 | \$3,240,123 | \$3,800,269 | \$3,595,077 | \$3,637,889 |
| Internal Service | <u>944,478</u> | <u>1,521,287</u> | <u>728,200</u> | <u>671,065</u> | <u>504,181</u> |
| Total | <u>\$2,223,961</u> | <u>\$4,761,410</u> | <u>\$4,528,469</u> | <u>\$3,595,077</u> | <u>\$4,142,070</u> |

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

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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>Unaudited 2017</u> |
|--|----------------------|----------------------|----------------------|----------------------|---------------------------|
| Revenues: | | | | | |
| Local Taxes | \$ 10,001,475 | \$ 9,922,207 | \$ 10,015,304 | \$ 10,711,165 | \$ 10,554,603 |
| Licenses and Permits | 384,178 | 459,993 | 473,395 | 500,681 | 546,924 |
| Fines, forfeitures and penalties | 163,680 | 152,669 | 181,752 | 151,341 | 153,570 |
| Charges for current services | 445,426 | 447,794 | 462,840 | 477,077 | 530,091 |
| Other local revenue | 129,887 | 362,776 | 306,535 | 343,087 | 139,695 |
| Fees Recv'd from County Officials | 2,275,599 | 2,219,361 | 2,115,139 | 2,495,419 | 2,608,510 |
| State of Tennessee | 1,925,805 | 1,983,874 | 2,008,139 | 2,187,948 | 1,821,641 |
| Federal Government | 92,285 | 145,880 | 87,780 | 260,681 | 375,971 |
| Other Government & Citizens Groups | 20,020 | 16,061 | 10,594 | 10,520 | 250 |
| Total Revenues | \$ 15,438,355 | \$ 15,710,615 | \$ 15,661,478 | \$ 17,137,919 | \$ 16,731,255 |
| Expenditures: | | | | | |
| General Government | \$ 2,036,175 | \$ 2,501,405 | \$ 2,673,926 | \$ 3,141,948 | \$ 2,594,716 |
| Finance | 1,934,044 | 2,067,713 | 2,097,339 | 1,988,650 | 2,000,474 |
| Administrtrtion of Justice | 2,154,118 | 1,813,209 | 1,847,002 | 2,073,650 | 2,136,664 |
| Public Safety | 5,939,621 | 6,373,515 | 6,302,473 | 6,560,388 | 6,831,058 |
| Public Health & Welfare | 717,093 | 624,156 | 675,018 | 510,060 | 501,714 |
| Social, Cultural & Recreational Services | 256,764 | 273,728 | 316,249 | 388,081 | 427,322 |
| Agricultural & Natural Resources | 129,414 | 130,020 | 110,276 | 104,703 | 138,933 |
| Other Operations | 1,557,731 | 1,025,045 | 1,018,401 | 1,324,734 | 1,118,066 |
| Highways | 56,588 | 93,578 | - | - | - |
| Debt Service | - | - | - | - | - |
| Capital Projects | - | - | - | - | - |
| Total Expenditures | \$ 14,781,548 | \$ 14,902,369 | \$ 15,040,684 | \$ 16,092,214 | \$ 15,748,947 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 656,807 | \$ 808,246 | \$ 620,794 | \$ 1,045,705 | \$ 982,308 |
| Other Sources and Uses: | | | | | |
| Note / Lease Proceeds | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bond Issued | - | - | - | - | - |
| Insurance Recovery | 14,831 | 13,532 | 12,536 | 3,715 | 4,056 |
| Operating Transfers - In | 20,000 | 20,000 | 330,000 | 400,000 | - |
| Operating Transfers - Out | (589,418) | (795,359) | (160,300) | (134,000) | (879,614) |
| Total Other Sources & Uses | \$ (554,587) | \$ (761,827) | \$ 182,236 | \$ 269,715 | \$ (875,558) |
| Net Change in Fund Balances | \$ 102,220 | \$ 46,419 | \$ 803,030 | \$ 1,315,420 | \$ 106,750 |
| Fund Balance July 1 | 4,841,770 | 4,943,990 | 4,990,409 | 5,793,439 | 7,108,859 |
| Residual Equity Transfers | - | - | - | - | - |
| Fund Balance June 30 | \$ 4,943,990 | \$ 4,990,409 | \$ 5,793,439 | \$ 7,108,859 | \$ 7,215,609 |

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate

(herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report and the County, property in the County reflected a ratio of appraised value to true market value of 1.00.

| <u>Class</u> | <u>Assessed Valuation</u> | <u>Rate</u> | <u>Appraised Value</u> |
|---------------------------|-------------------------------|-------------|-------------------------------|
| Public Utilities | \$ 74,822,148 | 55% | \$ 170,476,005 |
| Commercial and Industrial | 259,590,355 | 40% | 648,987,400 |
| Personal Tangible | 58,894,993 | 30% | 196,316,395 |
| Residential and Farm | <u>893,353,330</u> | 25% | <u>3,593,274,600</u> |
| Total | <u>\$1,291,660,826</u> | | <u>\$4,609,054,400</u> |

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

The estimated assessed value of property in the County for the fiscal year ending June 30, 2017 (tax year 2016) is \$1,291,660,826 compared to \$1,252,522,987 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is \$4,609,054,400 compared to \$4,505,746,911 for tax year 2015.

Property Tax Rates and Collections - County-Wide. The following table shows the property tax rates and collections of the County for tax years 2013 through 2017 as well as the aggregate uncollected balances for each fiscal year ending June 30.

| PROPERTY TAX RATES AND COLLECTIONS | | | | Fiscal Yr Collections | | Aggregate Uncollected Balance | |
|---|---------------------------|----------------------------|---------------------|------------------------------|------------|--------------------------------------|------------|
| Tax Year (a) | Assessed Valuation | Tax Rates In/Out(b) | Taxes Levied | | | as of June 30, 2017 | |
| | | | | Amount | Pct | Amount | Pct |
| 2013 | \$1,284,869,269 | \$1.97 / 2.18 | \$27,379,496 | \$26,558,111 | 97.0% | \$ 185,603 | 0.7% |
| 2014 | 1,302,085,700 | 1.97 / 2.18 | 27,667,798 | 25,870,610 | 93.0% | 294,608 | 1.1% |
| 2015 | 1,252,522,987 | 2.35 / 2.575 | 31,506,548 | 29,742,965 | 94.4% | 514,534 | 1.6% |
| 2016 | 1,291,660,826 | 2.35 / 2.575 | 31,730,974 | 29,976,925 | 94.5% | 1,521,222 | 4.8% |
| 2017 | 1,455,563,880 | 2.35 / 2.575 | 31,577,131 | IN PROCESS | | | |

(a) The tax year coincides with the calendar year, so tax year 2017 is actually Fiscal Year 2017-2018.

(b) "In" means inside the City of Oak Ridge. "Out" means outside the City of Oak Ridge's corporate limits or County-wide.

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

| <u>Taxpayer</u> | <u>Business Type</u> | <u>Assessment</u> | <u>Taxes Due</u> |
|---------------------------|--------------------------|-----------------------------|---------------------------|
| 1. UT Battelle | National Security | \$108,842,600 | \$1,023,120 |
| 4. Norfolk | Railroad | 13,023,863 | 328,686 |
| 2. Horsehead | Recycling | 30,733,465 | 235,298 |
| 8. Bell South | Telecommunications | 8,761,234 | 220,451 |
| 3. Duratek | Hazardous Waste Disposal | 28,862,268 | 219,757 |
| 5. TOHO | Carbon Fibers | 11,207,328 | 102,527 |
| 6. Walmart | Retail | 10,320,110 | 100,423 |
| 7. 93 Palladium Way Prop. | Research & Development | 8,781,000 | 82,541 |
| 9. Volunteer Energy | Utilities | 3,220,240 | 82,921 |
| 10. Crete Carrier | Trucking | <u>2,906,557</u> | <u>74,844</u> |
| TOTAL | | <u>\$226,658,665</u> | <u>\$2,470,568</u> |

Source: The County.

PENSION PLANS

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

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement 45 establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits (“OPEB”) in the financial reports of state and local government employers. GASB 45 requires the recognition of the accrued liability for the respective year, plus the disclosure of the total unfunded liability. Cash funding of the unfunded liability is not required.

The present value of the unfunded actuarial liability associated with the County’s post employment medical benefits is not known. The County will conduct an actuarial study to determine its unfunded liability in the future. The County will begin recognizing the accrued liability, if any, on its future financial statements as required by GASB 45.

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

ROANE COUNTY, TENNESSEE

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 the Roane County for the fiscal year ended June 30, 2016 which is available upon request from the County.

ANNUAL FINANCIAL REPORT
ROANE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
ROANE 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**

**MARK TREECE, CPA, CGFM
Audit Manager**

**ANDREW WAY, CPA
ISABELLA DANIELS
DOUG SANDIDGE, CISA, CFE
State Auditors**

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

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Summary of Audit Findings

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

Scope

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

Results

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

Our audit resulted in three findings and recommendations, which we have reviewed with Roane County management. The 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 ASSESSOR OF PROPERTY

- ◆ The assessor did not maintain an adequate program of sales verification.
- ◆ The office had deficiencies concerning rollback assessments.
- ◆ The assessor did not properly prorate improvements and new construction.

INTRODUCTORY SECTION

Roane County Officials
June 30, 2016

Officials

Ron Woody, County Executive
Dennis Ferguson, Road Superintendent
Gary Aytes, Director of Schools
Wilma Eblen, Trustee
David Morgan, Assessor of Property
Barbara Anthony, County Clerk
Ann Goldston, Circuit and General Sessions Courts Clerk
Shannon Conley, Clerk and Master
Sharon Brackett, Register of Deeds
Jack Stockton, Sheriff
Kaley Walker, Director of Accounts and Budgets
Lynn Farnham, Purchasing Agent

Board of County Commissioners

Ron Berry, Chairman
David Bell
James Brummett
Greg Ferguson
Peggy Collier
Benny East
Randy Ellis
Todd Fink

Junior Hendrickson
Carolyn Granger
Chris Johnson
Steve Kelley
Stanley Moore
Mike Hooks
Darryl Meadows

Board of Education

Everett Massengill
Darrell Langley, Chairman
Danny Wright
Sam Cox
Hugh Johnson

Michael Miller
Rob Jago
Larry Brackett
Victor King
Michael Taylor

Audit Committee

Suzy Jones, Chairman
Doris Thompson
Darryl Meadows

Harriet Walker
Vic King

FINANCIAL SECTION



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

Roane County Executive and
Board of County Commissioners
Roane County, Tennessee

To the County Executive 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 Roane 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As described in Note V.B., Roane 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 68, and Amendments to Certain Provisions of GASB Statements 67 and 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-24 and the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans, on pages 105-114 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 Roane County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund, and the General Capital Projects Fund, combining and individual fund financial statements of the Roane 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, the General Debt Service Fund, and the General Capital Projects Fund, combining and individual fund financial statements of the Roane 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, the General Debt Service Fund, and the General Capital Projects Fund, combining and individual fund financial statements of the Roane 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.

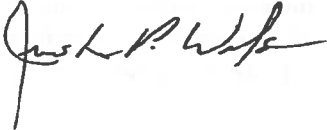
The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of Roane 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 Roane County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with the first name being the most prominent.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 28, 2016

JPW/yu

Roane County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2016

This discussion and analysis of Roane County's financial performance provides an overall view of the county's financial activities for the year ended June 30, 2016. In addition, this discussion and analysis includes an overall view of the Discretely Presented Component Unit (DPCU) Roane County School Department. A separate set of financial statements is not issued for the Roane County School Department. The intent of this discussion and analysis is to look at the county's and the DPCU School Department's financial performance as a whole. Readers should also review the notes to the basic financial statements to enhance their understanding of the county's financial performance as well as the DPCU School Department's financial performance.

FINANCIAL HIGHLIGHTS FOR FY 2016

Key financial highlights for 2016 are as follows:

In total, net position of the primary government increased by \$4.4 million, and net position of the DPCU School Department increased by \$2.1 million. In the primary government, most of the negative unrestricted net position balance (\$13.5 million) is related to the fact that school buildings constructed with county debt are recorded as an asset for the DPCU School Department while the debt issued to fund those capital assets is recorded as a liability for the primary government. Net position of the primary government is related to governmental and business-type activities. Net position of the DPCU School Department is related to governmental activities.

General revenues of the primary government accounted for \$20.9 million in revenue or 61 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$13.1 million or 39 percent of total revenues of \$34 million. General revenues of the DPCU School Department were \$55.7 million.

Total assets in the primary government were \$87.6 million as net taxes receivable totaled \$15.3 million; cash totaled \$19 million; capital assets, net of accumulated depreciation totaled \$49.6 million, and a net pension asset totaled \$1.6 million. Total assets in the DPCU School Department were \$96.5 million as net taxes receivable totaled \$15.9 million; cash totaled \$7.8 million; capital assets, net of accumulated depreciation totaled \$70.1 million, and net pension assets totaled \$1.1 million.

The primary government had \$28.6 million in expenses related to governmental activities and \$1 million in expenses related to business-type activities, with \$13.1 million of these expenses offset by program specific charges for services, grants, or contributions. General revenues (primarily property taxes of \$15.5 million) were adequate to provide current funding for these programs. The DPCU School Department had \$60.5 million in expenses related to governmental activities; \$7 million of these expenses were offset by program specific charges for services, grants, or contributions. General revenues of the DPCU School Department (primarily Basic Education Program revenues of \$28.3 million and property

taxes and sales taxes of \$16.1 and \$7.4 million, respectively) were adequate to provide current funding for these programs.

Among major governmental funds, the General Fund had \$17.1 million in revenues and \$16.1 million in expenditures. The Highway/Public Works Fund had \$4.2 million in revenues and \$3.6 million in expenditures. The General Debt Service Fund had \$3 million in revenues and \$3.2 million in expenditures. The General Capital Projects Fund had \$981 thousand in revenues and \$1.8 million in expenditures. Fund balance for the General and Highway/Public Works funds increased by \$1.3 million and \$226 thousand, respectively. Fund balances for the General Debt Service and General Capital Projects funds decreased by \$96 thousand and \$587 thousand, respectively. The major Public Utility Fund (business-type activity) had operating revenues of \$1.1 million and operating expenses of \$931 thousand.

Using This Annual Financial Report (AFR)

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Roane County as a financial whole (and entire operating entity). The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities present an aggregate view of the entire county's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the county's most significant funds with all other nonmajor funds presented in total in one column. In the case of Roane County, the General Fund is by far the most significant fund. Other major funds include the Highway/Public Works, General Debt Service, and General Capital Projects funds. In the case of the DPCU School Department, the General Purpose School fund is the only major fund.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the county and the DPCU School Department to provide programs and financial activities during 2016, the Statement of Net Position and the Statement of Activities provide a broader picture of the financial activities during 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current-year's revenues and expenses regardless of when cash is received or paid.

These two statements report the county's net position and changes in those positions as well as those of the county's discretely presented component units. This change in position is important because it tells the reader that, for the county and its discretely presented component units as a whole, whether their financial position has improved or diminished. The cause of this change may be the result of many factors, some financial, some not.

In the Statement of Net Position and the Statement of Activities, the county reports its activities as governmental and business-type. The county's governmental activities reported here include: general government; finance; administration of justice; public safety; public health and welfare; social, cultural, and recreational services; agriculture and natural resources; highways/public works; education; and other operations. The county's business-type activities report sewer water treatment.

These services are funded primarily by taxes and intergovernmental revenues, including federal and state grants and other shared revenues. For the DPCU School Department, its activities are also reported as governmental activities. The DPCU School Department's programs and services are reported there. These services are also funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting on the County's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the county's major funds. The county uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the county's most significant funds. The county's major governmental funds are the General, Highway/Public Works, General Debt Service, and General Capital Projects funds. The DPCU School Department's major governmental fund is the General Purpose School Fund.

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

Because the focus of the governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The county and the DPCU School Department maintain many individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Please refer to the Table of Contents to locate these statements.

Proprietary Funds – Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The county maintained two different types of proprietary funds – an enterprise fund and two internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The county had one enterprise fund to account for sewer water treatment. Internal service funds are accounting devices used to accumulate and allocate costs internally among the county’s various functions. The county uses two internal service funds. Specifically, the Workers’ Compensation Fund and the Employee Dental Insurance Fund account for risk management activities related to workers’ compensation risks and dental insurance provided to county employees and their dependents. Because internal service funds predominantly benefit governmental rather than business-type functions, their assets and liabilities have been included with governmental activities in the government-wide financial statements.

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the county. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the county’s own programs. The accounting used to report fiduciary funds is much like that used to report proprietary funds. Please refer to the Table of Contents to locate these statements.

Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Please refer to the Table of Contents to locate these notes.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules. Please refer to the Table of Contents to locate these statements and schedules.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the county, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24.4 million at the close of the most recent fiscal year. For the DPCU School Department, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$69.3 million at the close of the most recent fiscal year.

A large portion of the county's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The county uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The same holds true for the DPCU School Department. A large portion of its net position reflects its investment in capital assets as described above.

Although the county's and the DPCU School Department's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities.

Table 1a provides a summary of the county's and the DPCU School Department's net position for 2016, for their governmental activities as well as a comparison with the prior year. Table 1b provides a summary of the county's net assets for 2016, for its business-type activities.

An additional portion of the county's net assets, \$12.9 million, represents resources that are subject to external restrictions on how they may be used. In the DPCU School Department, \$3.2 million of net assets is subject to external restrictions.

Table 2a shows the changes in net position for fiscal year 2016, and a comparison with the prior year for the county and the DPCU School Department for their governmental activities. Table 2b shows the changes in net position for fiscal year 2016, and a comparison with the prior year for the county's business-type activities.

Table 1a
Roane County Government and DPCU School Department Net Position

| <u>Governmental Activities</u> | Roane County Government | | DPCU School Department | |
|---|-------------------------|----------------------|------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Assets: | | | | |
| Current and Other Assets | \$ 36,803,245 | \$ 35,901,124 | \$ 26,340,820 | \$ 25,439,203 |
| Capital Assets | 42,548,501 | 42,605,536 | 70,122,073 | 72,109,554 |
| Total Assets | \$ 79,351,746 | \$ 78,506,660 | \$ 96,462,893 | \$ 97,548,757 |
| Deferred Outflows of Resources | | | | |
| Deferred Charges on Refunding | \$ 181,548 | \$ 228,954 | \$ 0 | \$ 0 |
| Deferred Amounts Related to Pensions | 805,442 | 826,103 | 3,191,361 | 3,318,851 |
| Total Deferred Outflows of Resources | \$ 986,990 | \$ 1,055,057 | \$ 3,191,361 | \$ 3,318,851 |
| Liabilities: | | | | |
| Long-term Liabilities Outstanding | \$ 42,505,706 | \$ 45,566,688 | \$ 7,848,160 | \$ 7,009,362 |
| Other Liabilities | 1,644,181 | 1,722,310 | 297,664 | 389,016 |
| Total Liabilities | \$ 44,149,887 | \$ 47,288,998 | \$ 8,145,824 | \$ 7,398,378 |
| Deferred Inflows of Resources: | | | | |
| Deferred Current Property Taxes | \$ 14,674,435 | \$ 14,640,350 | \$ 15,272,647 | \$ 14,952,439 |
| Deferred Amounts Related to Pensions | 659,649 | 1,344,667 | 6,939,898 | 11,365,489 |
| Total Deferred Inflows of Resources | \$ 15,334,084 | \$ 15,985,017 | \$ 22,212,545 | \$ 26,317,928 |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 22,689,333 | \$ 21,734,774 | \$ 70,122,073 | \$ 72,109,554 |
| Restricted | 12,829,849 | 13,150,784 | 3,198,524 | 4,279,504 |
| Unrestricted | (14,664,417) | (18,597,856) | (4,024,712) | (9,237,756) |
| Total Net Position | \$ 20,854,765 | \$ 16,287,702 | \$ 69,295,885 | \$ 67,151,302 |

Table 1b
Roane County Government Net Position

Business-type Activities

| | <u>Roane County Government</u> | |
|---|--------------------------------|---------------------|
| | <u>2016</u> | <u>2015</u> |
| Assets: | | |
| Current and Other Assets | \$ 1,180,080 | \$ 1,559,696 |
| Capital Assets | 7,075,860 | 6,902,080 |
| Total Assets | \$ 8,255,940 | \$ 8,461,776 |
| Deferred Outflows of Resources: | | |
| Pension Contributions | \$ 16,210 | \$ 15,965 |
| Total Deferred Outflows of Resources | \$ 16,210 | \$ 15,965 |
| Liabilities: | | |
| Long-term Liabilities Outstanding | \$ 4,643,782 | \$ 4,381,836 |
| Other Liabilities | 20,363 | 224,864 |
| Total Liabilities | \$ 4,664,145 | \$ 4,606,700 |
| Deferred Inflows of Resources: | | |
| Deferred Amounts Related to Pensions | \$ 12,928 | \$ 70,772 |
| Total Deferred Inflows of Resources | \$ 12,928 | \$ 70,772 |
| Net Position: | | |
| Net Investment in Capital Assets | \$ 2,432,078 | \$ 2,520,244 |
| Restricted | 30,332 | 70,998 |
| Unrestricted | 1,132,667 | 1,209,027 |
| Total Net Position | \$ 3,595,077 | \$ 3,800,269 |

Table 2a

Roane County Government and DPCU School Department Changes in Net Position

Governmental Activities

| | Roane County Government | | DPCU School Department | |
|---|-------------------------|----------------------|------------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 7,859,815 | \$ 7,621,494 | \$ 1,096,634 | \$ 1,115,952 |
| Operating Grants and Contributions | 3,710,368 | 3,182,175 | 5,853,852 | 5,945,471 |
| Capital Grants and Contributions | 314,178 | 679,167 | 3,582 | 5,341 |
| General Revenues: | | | | |
| Property Taxes | 15,475,082 | 14,122,660 | 16,065,365 | 13,041,673 |
| Sales Taxes | 913,024 | 786,930 | 7,381,812 | 6,627,075 |
| Other Taxes | 1,397,943 | 1,531,446 | 34,111 | 33,714 |
| Grants and Contributions Not Restricted to Specific Programs | 2,880,787 | 2,798,504 | 32,157,100 | 31,308,932 |
| Unrestricted Investment Earnings | 38,369 | 19,711 | 25,862 | 11,901 |
| Miscellaneous | 190,353 | 91,227 | 24,195 | 6,701 |
| Gain on Disposal of Equipment | 33,882 | 16,164 | 0 | 0 |
| Pension Income | 0 | 31,079 | 0 | 167,163 |
| Total Revenues | \$ 32,813,801 | \$ 30,880,557 | \$ 62,642,513 | \$ 58,263,923 |
| Expenses: | | | | |
| General Government | \$ 5,912,550 | \$ 5,017,763 | \$ 0 | \$ 0 |
| Finance | 1,906,198 | 2,078,605 | 0 | 0 |
| Administration of Justice | 1,996,767 | 1,826,916 | 0 | 0 |
| Public Safety | 7,368,172 | 6,922,654 | 0 | 0 |
| Public Health and Welfare | 4,961,798 | 5,900,345 | 0 | 0 |
| Social, Cultural, and Recreational Services | 572,145 | 376,572 | 0 | 0 |
| Agriculture and Natural Resources | 103,297 | 111,067 | 0 | 0 |
| Highways | 3,766,100 | 3,609,602 | 0 | 0 |
| Education | 439,088 | 420,670 | 60,497,930 | 60,978,843 |
| Interest on Long-term Debt | 1,620,623 | 1,744,427 | 0 | 0 |
| Total Expenses | \$ 28,646,738 | \$ 28,008,621 | \$ 60,497,930 | \$ 60,978,843 |
| Transfers | \$ 400,000 | \$ 0 | \$ 0 | \$ 0 |
| Change in Net Position | \$ 4,567,063 | \$ 2,871,936 | \$ 2,144,583 | \$ (2,714,920) |
| Net Position, July 1 | 16,287,702 | 13,442,550 | 67,151,302 | 79,168,608 |
| Restatement | 0 | (26,784) | 0 | (9,302,386) |
| Net Position, June 30 | \$ 20,854,765 | \$ 16,287,702 | \$ 69,295,885 | \$ 67,151,302 |

Table 2b
Roane County Government Changes in Net Position

Business-type Activities

| | Roane County Government | |
|----------------------------------|-------------------------|---------------------|
| | 2016 | 2015 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$ 1,084,611 | \$ 1,142,195 |
| Capital Grants and Contributions | 146,042 | 364,001 |
| Pension Income | 0 | 1,636 |
| Total Revenues | <u>\$ 1,230,653</u> | <u>\$ 1,507,832</u> |
| Expenses: | | |
| General Government | \$ 1,035,845 | \$ 946,276 |
| Total Expenses | <u>\$ 1,035,845</u> | <u>\$ 946,276</u> |
| Transfer | \$ (400,000) | \$ |
| Change in Net Position | \$ (205,192) | \$ 561,556 |
| Net Position, July 1 | 3,800,269 | 3,240,123 |
| Prior-period Adjustment | 0 | (1,410) |
| Net Position, June 30 | <u>\$ 3,595,077</u> | <u>\$ 3,800,269</u> |

Expenses for Public Safety of \$7.4 million, consisting primarily of the law enforcement and jail operating cost, accounted for approximately 26 percent of the \$28.6 million total expenses for governmental activities. Of that \$28.6 million in governmental activities expenses, \$7.9 million was covered by direct charges to users of the services. A significant portion of those charges are for fees associated with the court system and ambulance service patient charges.

Financial Analysis of the Government's Funds

As noted earlier, the county and DPCU School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the county's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the county's and the DPCU School Department's financing requirements. In particular, unassigned fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the county's governmental funds reported combined ending fund balances of \$16.8 million. Approximately \$5.7 million of this total constitutes unassigned fund balance within the General Fund, which is available for appropriation at the government's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is restricted, committed, or assigned to indicate that it is available for spending only in certain limited instances. In the DPCU School Department's

governmental funds, combined ending fund balances were \$8.5 million. Approximately \$4.5 million of this total constitutes unassigned fund balance.

Financial Comparisons - Primary Government

The General Fund is the chief operating fund of the county. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5.7 million, while total fund balance was \$7.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 35 percent of total General Fund expenditures, while total fund balance represents 44 percent of that same amount.

The fund balance of the county's General Fund increased by \$1.3 million during the current fiscal year.

The Highway/Public Works Fund continues to hold its own in terms of funding the needs of the department. Expenditures and other uses exceeded revenues and other sources by \$226 thousand while maintaining an ending fund balance of \$1.1 million.

The General Debt Service Fund had a net decrease of \$96 thousand in fund balance.

The General Capital Projects Fund decreased by \$587 thousand during the current fiscal year.

Roane County's budgeting process is prescribed by *Tennessee Code Annotated*. Essentially the budget is the county's appropriations that are restricted by the amounts of anticipated revenues; therefore, the county's plans and desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

Proprietary Funds. The financial statements of the Internal Service Funds reflect the operations of the county's dental and workers' compensation self-insured risk financing activities. These activities have been consolidated under the revenues and expenses for governmental activities on the government-wide financial statements.

Financial Comparison - DPCU School Department

The General Purpose School Fund is the chief operating fund of the DPCU School Department. At the end of the current fiscal year, unassigned fund balance of the General Purpose School Fund was \$4.5 million, while total fund balance was \$5.1 million. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 9 percent of total General Purpose School Fund expenditures, while total fund balance represents 10 percent of that same amount.

Capital Assets

The county's investment in capital assets for its governmental activities as of June 30, 2016, totals \$22.7 million (net of accumulated depreciation and related debt). This

investment in capital assets includes land, buildings and systems, improvements, equipment, roads, highways, and bridges. The DPCU School Department's investment in capital assets for its governmental activities as of June 30, 2016, totals \$70.1 million (net of accumulated depreciation). The Notes to the Financial Statements provide additional information on capital assets activity for the year.

Debt Administration

At the end of the 2016 fiscal year, the county's governmental activities had total long-term debt outstanding of \$36.1 million. Of this amount, all is backed by the full faith and credit of the county. The county maintains an A2 rating for Moody's and an AA rating for Standard and Poor's for general obligation debt. The county's business-type activities had long-term debt outstanding of \$4.6 million.

In addition to the debt noted above, county long-term obligations include compensated absences, landfill post closure care costs, and other post-employment benefits. Additional information on the county's long-term obligations can be found in the Notes to the Financial Statements.

Interest and fiscal charges totaled six percent of the total expenses for governmental activities.

Economic Factors and Next Year's Budgets and Rates

The most recent unemployment rate for the county is six percent compared to the higher rate of seven percent a year ago. The state's average unemployment rate is currently 4.1 percent and the national average is five percent. Economic trends in the region are consistent with national indices. All of these factors were considered in preparing the county's budget for the 2017 fiscal year. At the end of the 2016 fiscal year, unassigned fund balance in the General Fund was \$5.7 million. The county has budgeted to use \$851 thousand from this fund balance for fiscal year 2017.

Request for Information

This financial report is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report, please contact the Accounting and Budgeting Office at 200 East Race Street, Suite 1, Kingston, Tennessee 37763.

BASIC FINANCIAL STATEMENTS

Exhibit A

Roane County, Tennessee
 Statement of Net Position
 June 30, 2016

| | Primary Government | | | Total | Component Unit |
|--|-------------------------|--------------------------|---------------|---------------|--------------------------------|
| | Governmental Activities | Business-type Activities | | | |
| ASSETS | | | | | |
| Cash | \$ 33,151 | \$ 200 | \$ 33,351 | \$ 91,966 | Roane County School Department |
| Equity in Pooled Cash and Investments | 17,845,490 | 1,136,638 | 18,982,128 | 7,681,371 | |
| Accounts Receivable | 2,540,390 | 59,867 | 2,600,257 | 21,642 | |
| Allowance for Uncollectibles | (1,472,367) | (46,983) | (1,519,350) | 0 | |
| Due from Other Governments | 1,051,970 | 0 | 1,051,970 | 1,523,102 | |
| Internal Balances | 74 | (74) | 0 | 0 | |
| Property Taxes Receivable | 15,875,702 | 0 | 15,875,702 | 16,523,377 | |
| Allowance for Uncollectible Property Taxes | (624,221) | 0 | (624,221) | (650,370) | |
| Prepaid Items | 5,306 | 100 | 5,406 | 2,550 | |
| Net Pension Asset - Agent Plan | 1,547,750 | 30,332 | 1,578,082 | 1,127,820 | |
| Net Pension Asset - Teacher Retirement Plan | 0 | 0 | 0 | 19,362 | |
| Capital Assets: | | | | | |
| Assets Not Depreciated: | | | | | |
| Land | 4,959,927 | 5,000 | 4,964,927 | 1,338,172 | |
| Construction in Progress | 505,197 | 2,514,078 | 3,019,275 | 579,858 | |
| Assets Net of Accumulated Depreciation: | | | | | |
| Buildings and Improvements | 11,956,469 | 279,541 | 12,236,010 | 66,146,850 | |
| Other Capital Assets | 3,653,760 | 461,130 | 4,114,890 | 2,057,193 | |
| Infrastructure - Roads, Streets, and Bridges | 21,473,148 | 3,816,111 | 25,289,259 | 0 | |
| Total Assets | \$ 79,351,746 | \$ 8,255,940 | \$ 87,607,686 | \$ 96,462,893 | |

(Continued)

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

| | Primary Government | | Total | Component Unit |
|--|-------------------------|--------------------------|--------------|----------------|
| | Governmental Activities | Business-type Activities | | |
| \$ | 0 | 0 | 0 | \$ |
| Pension Changes in Experience | 805,442 | 16,210 | 821,652 | 228,653 |
| Pension Contributions after Measurement Date | 181,548 | 0 | 181,548 | 2,962,708 |
| Deferred Charge on Refunding | | | | 0 |
| Total Deferred Outflows of Resources | \$ 986,990 | \$ 16,210 | \$ 1,003,200 | \$ 3,191,361 |

DEFERRED OUTFLOWS OF RESOURCES

| | | | | | | |
|--|------------|-----------|--------------|--------------|----|---------|
| Pension Changes in Experience | \$ | 0 | \$ | 0 | \$ | 228,653 |
| Pension Contributions after Measurement Date | 805,442 | 16,210 | 821,652 | 2,962,708 | | |
| Deferred Charge on Refunding | 181,548 | 0 | 181,548 | 0 | | |
| Total Deferred Outflows of Resources | \$ 986,990 | \$ 16,210 | \$ 1,003,200 | \$ 3,191,361 | | |

LIABILITIES

| | | | | | | | | |
|------------------------------|---------------|--------------|---------------|--------------|--------|---------|----|---------|
| Accounts Payable | \$ | 276,357 | \$ | 11,138 | \$ | 287,495 | \$ | 205,570 |
| Contracts Payable | 39,287 | 0 | 39,287 | 0 | 39,287 | 0 | | |
| Accrued Payroll | 208,687 | 4,090 | 212,777 | 21,320 | | | | |
| Accrued Interest Payable | 151,137 | 0 | 151,137 | 0 | | | | |
| Payroll Deductions Payable | 178,437 | 5,135 | 183,572 | 2,308 | | | | |
| Claims and Judgments Payable | 779,448 | 0 | 779,448 | 0 | | | | |
| Due to State of Tennessee | 10,828 | 0 | 10,828 | 0 | | | | |
| Other Current Liabilities | 0 | 0 | 0 | 68,466 | | | | |
| Noncurrent Liabilities: | | | | | | | | |
| Due Within One Year | 4,058,759 | 236,218 | 4,294,977 | 137,738 | | | | |
| Due in More Than One Year | 38,446,947 | 4,407,564 | 42,854,511 | 7,710,422 | | | | |
| Total Liabilities | \$ 44,149,887 | \$ 4,664,145 | \$ 48,814,032 | \$ 8,145,824 | | | | |

(Continued)

Exhibit A

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

| | Primary Government | | Total | Component Unit |
|--|-------------------------|--------------------------|---------------|----------------|
| | Governmental Activities | Business-type Activities | | |
| Deferred Current Property Taxes | \$ 14,674,435 | \$ 0 | \$ 14,674,435 | \$ 15,272,647 |
| Pension Changes in Experience | 333,871 | 6,543 | 340,414 | 4,684,246 |
| Pension Changes in Investment Earnings | 325,778 | 6,385 | 332,163 | 2,075,289 |
| Pension Other Deferrals | 0 | 0 | 0 | 180,363 |
| Total Deferred Inflows of Resources | \$ 15,334,084 | \$ 12,928 | \$ 15,347,012 | \$ 22,212,545 |

DEFERRED INFLOWS OF RESOURCES

NET POSITION

| | | | | |
|----------------------------------|---------------|--------------|---------------|---------------|
| Net Investment in Capital Assets | \$ 22,689,333 | \$ 2,432,078 | \$ 25,121,411 | \$ 70,122,073 |
| Restricted for: | | | | |
| Administration of Justice | 115,907 | 0 | 115,907 | 0 |
| Public Safety | 124,964 | 0 | 124,964 | 0 |
| Public Health and Welfare | 3,066,115 | 0 | 3,066,115 | 0 |
| Highways | 1,353,367 | 0 | 1,353,367 | 0 |
| Debt Service | 3,707,294 | 0 | 3,707,294 | 0 |
| Capital Projects | 2,619,987 | 0 | 2,619,987 | 842,265 |
| Other | 1,547,750 | 30,332 | 1,578,082 | 0 |
| Education | 294,465 | 0 | 294,465 | 2,356,259 |
| Unrestricted | (14,664,417) | 1,132,667 | (13,531,750) | (4,024,712) |
| Total Net Position | \$ 20,854,765 | \$ 3,595,077 | \$ 24,449,842 | \$ 69,295,885 |

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

Exhibit B

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

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | | | | | | | | | Component Unit Roane County School Department | |
|---|---|----------------------------|--|--|------------------------|----------------------------|-----------------------------|-------------------|----------------------------|-----------------------------|---|----------|
| | Program Revenues | | | | | Primary Government | | | | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | | |
| Primary Government: | | | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | | | |
| General Government | \$ 5,912,550 | \$ 912,409 | \$ 506,124 | \$ 20,000 | \$ (4,474,017) | \$ 0 | \$ (4,474,017) | \$ 0 | \$ 0 | \$ (4,474,017) | \$ 0 | 0 |
| Finance | 1,906,198 | 1,346,073 | 0 | 0 | (560,125) | 0 | (560,125) | 0 | 0 | (560,125) | 0 | 0 |
| Administration of Justice | 1,996,767 | 1,130,046 | 161,191 | 0 | (705,530) | 0 | (705,530) | 0 | 0 | (705,530) | 0 | 0 |
| Public Safety | 7,368,172 | 828,755 | 723,971 | 18,715 | (5,796,731) | 0 | (5,796,731) | 0 | 0 | (5,796,731) | 0 | 0 |
| Public Health and Welfare | 4,961,798 | 2,751,572 | 251,649 | 0 | (1,958,577) | 0 | (1,958,577) | 0 | 0 | (1,958,577) | 0 | 0 |
| Social, Cultural, and Recreational Services | 572,145 | 193,594 | 0 | 0 | (378,551) | 0 | (378,551) | 0 | 0 | (378,551) | 0 | 0 |
| Agriculture and Natural Resources | 103,297 | 0 | 12,620 | 0 | (90,677) | 0 | (90,677) | 0 | 0 | (90,677) | 0 | 0 |
| Highways | 3,766,100 | 23,258 | 1,956,497 | 275,463 | (1,510,882) | 0 | (1,510,882) | 0 | 0 | (1,510,882) | 0 | 0 |
| Education | 439,088 | 674,108 | 98,316 | 0 | 333,336 | 0 | 333,336 | 0 | 0 | 333,336 | 0 | 0 |
| Interest on Long-term Debt | 1,620,623 | 0 | 0 | 0 | (1,620,623) | 0 | (1,620,623) | 0 | 0 | (1,620,623) | 0 | 0 |
| Total Governmental Activities | \$ 28,646,738 | \$ 7,859,815 | \$ 3,710,368 | \$ 314,178 | \$ (16,762,377) | \$ 0 | \$ (16,762,377) | \$ 0 | \$ 0 | \$ (16,762,377) | \$ 0 | 0 |
| Business-type Activities: | | | | | | | | | | | | |
| Public Utility | \$ 1,035,845 | \$ 1,084,611 | \$ 0 | \$ 146,042 | \$ 0 | \$ 194,808 | \$ 194,808 | \$ 0 | \$ 194,808 | \$ 194,808 | \$ 0 | 0 |
| Total Business-type Activities | \$ 1,035,845 | \$ 1,084,611 | \$ 0 | \$ 146,042 | \$ 0 | \$ 194,808 | \$ 194,808 | \$ 0 | \$ 194,808 | \$ 194,808 | \$ 0 | 0 |
| Total Primary Government | \$ 29,682,583 | \$ 8,944,426 | \$ 3,710,368 | \$ 460,220 | \$ (16,762,377) | \$ 194,808 | \$ (16,762,377) | \$ 194,808 | \$ (16,762,377) | \$ 194,808 | \$ 0 | 0 |
| Component Unit: | | | | | | | | | | | | |
| Roane County School Department | \$ 60,497,930 | \$ 1,096,634 | \$ 5,853,852 | \$ 3,582 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (53,543,862) | 0 |
| Total Component Unit | \$ 60,497,930 | \$ 1,096,634 | \$ 5,853,852 | \$ 3,582 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (53,543,862) | 0 |

(Continued)

Exhibit B

Roane County, Tennessee
Statement of Activities (Cont.)

| Functions/Programs | Program Revenues | | | | | Net (Expense) Revenue and Changes in Net Position | | Component Unit Roane County School Department |
|--|------------------|----------------------------|--|--|----------------------------|---|---------------|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-type Activities | | |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes Levied for General Purposes | | \$ 8,904,820 | \$ 0 | \$ 0 | \$ 0 | \$ 8,904,820 | \$ 16,065,365 | |
| Property Taxes Levied for Highways | | 1,282,382 | 0 | 0 | 0 | 1,282,382 | 0 | |
| Property Taxes Levied for Debt Service | | 3,563,124 | 0 | 0 | 0 | 3,563,124 | 0 | |
| Property Taxes Levied for Other Purposes | | 1,724,756 | 0 | 0 | 0 | 1,724,756 | 0 | |
| Local Option Sales Taxes | | 913,024 | 0 | 0 | 0 | 913,024 | 7,381,812 | |
| Other Local Taxes: | | | | | | | | |
| Litigation Tax - General | | 358,823 | 0 | 0 | 0 | 358,823 | 0 | |
| Litigation Tax - Jail, Workhouse, and Courthouse | | 223,066 | 0 | 0 | 0 | 223,066 | 0 | |
| Business Tax | | 501,981 | 0 | 0 | 0 | 501,981 | 0 | |
| Wholesale Beer Tax | | 171,339 | 0 | 0 | 0 | 171,339 | 0 | |
| Other Local Taxes | | 142,734 | 0 | 0 | 0 | 142,734 | 34,111 | |
| Grants and Contributions Not Restricted to Specific Programs | | 2,880,787 | 0 | 0 | 0 | 2,880,787 | 32,157,100 | |
| Unrestricted Investment Income | | 38,369 | 0 | 0 | 0 | 38,369 | 25,862 | |
| Miscellaneous | | 190,353 | 0 | 0 | 0 | 190,353 | 24,195 | |
| Gain on Disposal of Capital Assets | | 33,882 | 0 | 0 | 0 | 33,882 | 0 | |
| Total General Revenues | | \$ 20,929,440 | \$ 0 | \$ 0 | \$ 0 | \$ 20,929,440 | \$ 55,688,445 | |
| Transfers | | | | | | | | |
| Change in Net Position | | \$ 400,000 | \$ (400,000) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| Net Position, July 1, 2015 | | 4,567,063 | (205,192) | 4,361,871 | 3,800,269 | 20,087,971 | 2,144,583 | |
| Net Position, June 30, 2016 | | 16,287,702 | 3,595,077 | 24,449,842 | 67,151,302 | 69,295,885 | 67,151,302 | |

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

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

Exhibit C-1

| | Major Funds | | | | Nonmajor Funds | | Total Governmental Funds |
|--|----------------------|------------------------|----------------------|--------------------------|---------------------|---------------------|--------------------------|
| | General | Highway / Public Works | General Debt Service | General Capital Projects | Other | Governmental Funds | |
| \$ | 21,407 | 1,582 | 0 | 0 | 0 | 10,162 | 33,151 |
| Equity in Pooled Cash and Investments | 6,970,287 | 1,014,009 | 2,064,582 | 1,927,066 | 4,427,538 | 4,427,538 | 16,403,482 |
| Accounts Receivable | 116,745 | 3,975 | 7,965 | 23,386 | 2,378,074 | 2,378,074 | 2,530,145 |
| Allowance for Uncollectibles | 0 | 0 | 0 | 0 | (1,472,367) | (1,472,367) | (1,472,367) |
| Due from Other Governments | 548,713 | 340,920 | 0 | 84,290 | 78,047 | 78,047 | 1,051,970 |
| Due from Other Funds | 7,472 | 1,822 | 0 | 0 | 1,861 | 1,861 | 11,155 |
| Property Taxes Receivable | 9,219,202 | 1,326,504 | 1,923,430 | 668,251 | 2,743,315 | 2,743,315 | 15,875,702 |
| Allowance for Uncollectible Property Taxes | (362,873) | (52,212) | (75,707) | (26,106) | (107,323) | (107,323) | (624,221) |
| Prepaid Items | 5,156 | 0 | 0 | 0 | 150 | 150 | 5,306 |
| Total Assets | \$ 16,526,109 | \$ 2,636,600 | \$ 3,920,270 | \$ 2,671,887 | \$ 8,059,457 | \$ 8,059,457 | \$ 33,814,323 |
| Accounts Payable | 147,888 | 17,936 | 2,098 | 31,989 | 76,446 | 76,446 | 276,357 |
| Accrued Payroll | 149,383 | 19,359 | 0 | 0 | 39,945 | 39,945 | 208,687 |
| Payroll Deductions Payable | 121,154 | 19,843 | 0 | 0 | 37,440 | 37,440 | 178,437 |
| Contracts Payable | 0 | 0 | 0 | 39,287 | 0 | 0 | 39,287 |
| Due to Other Funds | 37 | 0 | 0 | 0 | 9,304 | 9,304 | 9,341 |
| Due to State of Tennessee | 10,828 | 0 | 0 | 0 | 0 | 0 | 10,828 |
| Total Liabilities | \$ 429,290 | \$ 57,138 | \$ 2,098 | \$ 71,276 | \$ 163,135 | \$ 163,135 | \$ 722,937 |

DEFERRED INFLOWS OF RESOURCES

| | | | | | | |
|------------------------------------|--------------|--------------|--------------|------------|--------------|---------------|
| Deferred Current Property Taxes | \$ 8,521,359 | \$ 1,226,095 | \$ 1,777,837 | \$ 613,047 | \$ 2,536,097 | \$ 14,674,435 |
| Deferred Delinquent Property Taxes | 314,618 | 45,274 | 65,634 | 22,634 | 91,474 | 539,634 |

(Continued)

Exhibit C-1

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

| | Major Funds | | | | Nonmajor Funds | | Total Governmental Funds |
|----|-------------|--------------------------|----------------------|--------------------------|--------------------------|---------|--------------------------|
| | General | Highway/ Public Works | General Debt Service | General Capital Projects | Other Governmental Funds | | |
| \$ | 151,983 | 170,460 | 0 | 0 | 0 | 784,861 | 1,107,304 |
| \$ | 8,987,960 | 1,441,829 | 1,843,471 | 635,681 | 3,412,432 | | 16,321,373 |

DEFERRED INFLOWS OF RESOURCES (Cont.)

Other Deferred/Unavailable Revenue
Total Deferred Inflows of Resources

FUND BALANCES

| | | | | | | | | |
|---|------------|-----------|-----------|-----------|-----------|-----------|------------|--|
| Nonspendable: | | | | | | | | |
| Prepaid Items | 5,156 | 0 | 0 | 0 | 0 | 150 | 5,306 | |
| Restricted: | | | | | | | | |
| Restricted for Administration of Justice | 115,907 | 0 | 0 | 0 | 0 | 0 | 115,907 | |
| Restricted for Public Safety | 0 | 0 | 0 | 0 | 0 | 124,964 | 124,964 | |
| Restricted for Public Health and Welfare | 0 | 0 | 0 | 0 | 0 | 1,677,560 | 1,677,560 | |
| Restricted for Other Operations | 0 | 0 | 0 | 0 | 0 | 491,833 | 491,833 | |
| Restricted for Highways/Public Works | 0 | 1,137,633 | 0 | 0 | 0 | 0 | 1,137,633 | |
| Restricted for Capital Outlay | 107,285 | 0 | 0 | 1,964,930 | 525,138 | | 2,597,353 | |
| Restricted for Debt Service | 0 | 0 | 2,074,701 | 0 | 1,664,245 | | 3,738,946 | |
| Committed: | | | | | | | | |
| Committed for General Government | 280,373 | 0 | 0 | 0 | 0 | 0 | 280,373 | |
| Committed for Social, Cultural, and Recreational Services | 35,901 | 0 | 0 | 0 | 0 | 0 | 35,901 | |
| Assigned: | | | | | | | | |
| Assigned for General Government | 868,449 | 0 | 0 | 0 | 0 | 0 | 868,449 | |
| Unassigned | 5,695,788 | 0 | 0 | 0 | 0 | 0 | 5,695,788 | |
| Total Fund Balances | 7,108,859 | 1,137,633 | 2,074,701 | 1,964,930 | 4,483,890 | | 16,770,013 | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | 16,526,109 | 2,636,600 | 3,920,270 | 2,671,887 | 8,059,457 | | 33,814,323 | |

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

Exhibit C-2

Roane 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) | | \$ 16,770,013 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Add: land | \$ 4,959,927 | |
| Add: construction in progress | 505,197 | |
| Add: infrastructure net of accumulated depreciation | 21,473,148 | |
| Add: building and improvements net of accumulated depreciation | 11,956,469 | |
| Add: other capital assets net of accumulated depreciation | <u>3,653,760</u> | 42,548,501 |
| (2) Internal service funds are used by management to charge the cost of workers' compensation and employee dental benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | | 671,065 |
| (3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Less: other loans payable | \$ (2,943,897) | |
| Less: bonds payable | (33,190,000) | |
| Add: deferred amount on refunding | 181,548 | |
| Less: unamortized premium on debt | (502,031) | |
| Less: compensated absences payable | (430,460) | |
| Less: landfill closure/postclosure care costs | (90,009) | |
| Less: other postemployment benefits liability | (5,349,309) | |
| Less: accrued interest on bonds and other loans payable | <u>(151,137)</u> | (42,475,295) |
| (4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years: | | |
| Add: deferred outflows of resources related to pensions | \$ 805,442 | |
| Less: deferred inflows of resources related to pensions | <u>(659,649)</u> | 145,793 |
| (5) Net pension assets are not current financial resources and therefore are not reported in the governmental funds: | | |
| Add: net pension assets of the Agent Legacy Plan | | 1,547,750 |
| (6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | <u>1,646,938</u> |
| Net position of governmental activities (Exhibit A) | | <u>\$ 20,854,765</u> |

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

Exhibit C-3

Roane 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 | General Capital Projects | Other Governmental Funds | | |
| Revenues | | | | | | | |
| Local Taxes | \$ 10,711,165 | \$ 1,327,525 | \$ 2,816,750 | \$ 628,914 | \$ 3,504,325 | \$ 18,988,679 | |
| Licenses and Permits | 500,681 | 0 | 0 | 0 | 0 | 500,681 | |
| Fines, Forfeitures, and Penalties | 151,341 | 0 | 0 | 0 | 26,380 | 177,721 | |
| Charges for Current Services | 477,077 | 0 | 0 | 69,058 | 2,449,849 | 2,995,984 | |
| Other Local Revenues | 343,087 | 201,720 | 80,513 | 267,740 | 215,966 | 1,109,026 | |
| Fees Received From County Officials | 2,495,419 | 0 | 0 | 0 | 0 | 2,495,419 | |
| State of Tennessee | 2,187,948 | 2,230,473 | 0 | 0 | 356,323 | 4,774,744 | |
| Federal Government | 260,681 | 466,043 | 0 | 15,077 | 0 | 741,801 | |
| Other Governments and Citizens Groups | 10,520 | 5,778 | 98,316 | 0 | 0 | 114,614 | |
| Total Revenues | \$ 17,137,919 | \$ 4,231,539 | \$ 2,995,579 | \$ 980,789 | \$ 6,562,843 | \$ 31,898,669 | |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General Government | \$ 3,141,948 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 3,141,948 | |
| Finance | 1,988,650 | 0 | 0 | 0 | 395 | 1,989,045 | |
| Administration of Justice | 2,073,650 | 0 | 0 | 0 | 1,236 | 2,074,886 | |
| Public Safety | 6,560,388 | 0 | 0 | 0 | 498,918 | 7,059,306 | |
| Public Health and Welfare | 510,060 | 0 | 0 | 0 | 4,140,411 | 4,650,471 | |
| Social, Cultural, and Recreational Services | 388,081 | 0 | 0 | 0 | 0 | 388,081 | |
| Agriculture and Natural Resources | 104,703 | 0 | 0 | 0 | 0 | 104,703 | |
| Other Operations | 1,324,734 | 0 | 0 | 0 | 0 | 1,324,734 | |
| Highways | 0 | 3,640,440 | 0 | 0 | 0 | 3,640,440 | |
| Debt Service: | | | | | | | |
| Principal on Debt | 0 | 0 | 1,958,316 | 0 | 1,550,000 | 3,508,316 | |
| Interest on Debt | 0 | 0 | 1,180,506 | 0 | 353,300 | 1,533,806 | |
| Other Debt Service | 0 | 0 | 75,355 | 0 | 35,358 | 110,713 | |

(Continued)

Exhibit C-3

Roane 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 | General Capital Projects | Other Governmental Funds | | |
| Expenditures (Cont.) | | | | | | | |
| Capital Projects | 0 \$ | 0 \$ | 0 \$ | 1,823,914 \$ | 375,647 \$ | | 2,199,561 |
| Total Expenditures | \$ 16,092,214 | \$ 3,640,440 | \$ 3,214,177 | \$ 1,823,914 | \$ 6,955,265 | | \$ 31,726,010 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 1,045,705 | \$ 591,099 | \$ (218,598) | \$ (843,125) | \$ (402,422) | | \$ 172,659 |
| Other Financing Sources (Uses) | | | | | | | |
| Insurance Recovery | 3,715 | 22,529 | 0 | 0 | 50,940 | | 77,184 |
| Transfers In | 400,000 | 0 | 122,894 | 256,272 | 264,500 | | 1,043,666 |
| Transfers Out | (184,000) | (387,394) | 0 | 0 | (122,272) | | (643,666) |
| Total Other Financing Sources (Uses) | \$ 269,715 | \$ (364,865) | \$ 122,894 | \$ 256,272 | \$ 193,168 | | \$ 477,184 |
| Net Change in Fund Balances | \$ 1,315,420 | \$ 226,234 | \$ (95,704) | \$ (586,853) | \$ (209,254) | | \$ 649,843 |
| Fund Balance, July 1, 2015 | 5,793,439 | 911,399 | 2,170,405 | 2,551,783 | 4,693,144 | | 16,120,170 |
| Fund Balance, June 30, 2016 | \$ 7,108,859 | \$ 1,137,633 | \$ 2,074,701 | \$ 1,964,930 | \$ 4,483,890 | | \$ 16,770,013 |

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

Exhibit C-4

Roane 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) | | \$ 649,843 |
| <p>(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:</p> | | |
| Add: capital assets purchased in the current period | \$ 2,815,902 | |
| Less: current-year depreciation expense | <u>(2,891,652)</u> | (75,750) |
| <p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.</p> | | |
| Add: assets donated and capitalized | | 18,715 |
| <p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2016 | \$ 1,646,938 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2015 | <u>(1,504,792)</u> | 142,146 |
| <p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:</p> | | |
| Add: change in premium on debt issuances | \$ 58,779 | |
| Add: principal payments on bonds | 2,785,000 | |
| Add: principal payments on other loans | 723,316 | |
| Less: change in deferred amount on refunding debt | <u>(47,406)</u> | 3,519,689 |
| <p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p> | | |
| Change in accrued interest payable | \$ 12,523 | |
| Change in compensated absences payable | (27,453) | |
| Change in net pension liability/asset | 198,788 | |
| Change in deferred outflows related to pensions | (20,661) | |
| Change in deferred inflows related to pensions | 685,018 | |
| Change in landfill closure/postclosure care cost | 23,749 | |
| Change in other postemployment benefits liability | <u>(502,409)</u> | 369,555 |
| <p>(6) Internal service funds are used by management to charge the cost of workers' compensation and dental benefits to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities in the statement of activities.</p> | | |
| | | <u>(57,135)</u> |
| Change in net position of governmental activities (Exhibit B) | | <u>\$ 4,567,063</u> |

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

Exhibit C-5

Roane County, Tennessee
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2016

| | Actual (GAAP Basis) | Less: Encumbrances 7/1/2015 | Add: Encumbrances 6/30/2016 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|----------------------|----------------------|--|
| | | | | | Original | Final | |
| Revenues | | | | | | | |
| Local Taxes | \$ 10,711,165 | \$ 0 | \$ 0 | \$ 10,711,165 | \$ 10,355,000 | \$ 10,355,000 | \$ 356,165 |
| Licenses and Permits | 500,681 | 0 | 0 | 500,681 | 464,000 | 464,000 | 36,681 |
| Fines, Forfeitures, and Penalties | 151,341 | 0 | 0 | 151,341 | 179,600 | 191,600 | (40,259) |
| Charges for Current Services | 477,077 | 0 | 0 | 477,077 | 473,200 | 478,200 | (1,123) |
| Other Local Revenues | 343,087 | 0 | 0 | 343,087 | 264,100 | 498,020 | (154,933) |
| Fees Received From County Officials | 2,495,419 | 0 | 0 | 2,495,419 | 2,160,000 | 2,280,000 | 215,419 |
| State of Tennessee | 2,187,948 | 0 | 0 | 2,187,948 | 2,109,683 | 2,366,579 | (178,631) |
| Federal Government | 260,681 | 0 | 0 | 260,681 | 70,300 | 222,967 | 37,714 |
| Other Governments and Citizens Groups | 10,520 | 0 | 0 | 10,520 | 10,000 | 10,500 | 20 |
| Total Revenues | \$ 17,137,919 | \$ 0 | \$ 0 | \$ 17,137,919 | \$ 16,085,883 | \$ 16,866,866 | \$ 271,053 |
| Expenditures | | | | | | | |
| General Government | | | | | | | |
| County Commission | \$ 128,086 | \$ 0 | \$ 0 | \$ 128,086 | \$ 155,616 | \$ 155,616 | \$ 27,530 |
| Board of Equalization | 30,694 | 0 | 0 | 30,694 | 33,200 | 33,200 | 2,506 |
| Beer Board | 2,275 | 0 | 0 | 2,275 | 5,925 | 5,925 | 3,650 |
| Budget and Finance Committee | 9,240 | 0 | 0 | 9,240 | 12,415 | 12,415 | 3,175 |
| Other Boards and Committees | 39,144 | 0 | 0 | 39,144 | 41,030 | 41,030 | 1,886 |
| County Mayor/Executive | 259,454 | 0 | 0 | 259,454 | 284,854 | 284,854 | 25,400 |
| County Attorney | 120,978 | 0 | 0 | 120,978 | 123,151 | 123,151 | 2,173 |
| Election Commission | 286,494 | 0 | 269 | 286,763 | 386,925 | 386,925 | 100,162 |
| Register of Deeds | 290,982 | (1,936) | 0 | 289,046 | 320,253 | 320,253 | 31,207 |
| Planning | 144,969 | 0 | 4,867 | 149,836 | 230,657 | 230,657 | 80,821 |
| Codes Compliance | 239,227 | 0 | 0 | 239,227 | 263,857 | 263,857 | 24,630 |
| County Buildings | 959,471 | (14,031) | 5,748 | 951,188 | 498,113 | 988,113 | 36,925 |
| Other General Administration | 114,940 | 0 | 0 | 114,940 | 38,350 | 149,398 | 34,458 |
| Preservation of Records | 115,438 | 0 | 757 | 116,195 | 118,142 | 118,142 | 1,947 |
| Risk Management | 400,556 | 0 | 0 | 400,556 | 437,260 | 433,860 | 33,304 |
| Finance | | | | | | | |
| Accounting and Budgeting | 440,569 | 0 | 0 | 440,569 | 466,070 | 468,070 | 27,501 |

(Continued)

Exhibit C-5

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

| | Actual (GAAP Basis) | Less: Encumbrances 7/1/2015 | Add: Encumbrances 6/30/2016 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|------------|--|
| | | | | | Original | Final | |
| | | | | | | | |
| Expenditures (Cont.) | | | | | | | |
| Finance (Cont.) | | | | | | | |
| Purchasing | \$ 161,114 | \$ 0 | \$ 0 | \$ 161,114 | \$ 175,213 | \$ 175,213 | \$ 14,099 |
| Property Assessor's Office | 497,943 | 0 | 0 | 497,943 | 583,736 | 578,736 | 80,793 |
| Reappraisal Program | 73,846 | 0 | 0 | 73,846 | 128,420 | 128,420 | 54,574 |
| County Trustee's Office | 263,964 | 0 | 1,035 | 264,999 | 317,521 | 317,521 | 52,522 |
| County Clerk's Office | 551,214 | 0 | 0 | 551,214 | 606,758 | 606,758 | 55,544 |
| Administration of Justice | | | | | | | |
| Circuit Court | 191,876 | 0 | 0 | 191,876 | 217,926 | 217,926 | 26,050 |
| General Sessions Court | 518,226 | 0 | 0 | 518,226 | 534,728 | 538,628 | 20,402 |
| General Sessions Judge | 534,853 | 0 | 0 | 534,853 | 601,203 | 603,703 | 68,850 |
| Drug Court | 124,881 | 0 | 0 | 124,881 | 0 | 181,583 | 56,702 |
| Chancery Court | 310,937 | (1,734) | 1,374 | 310,577 | 325,809 | 325,809 | 15,232 |
| Juvenile Court | 377,686 | (2,008) | 0 | 375,678 | 433,431 | 433,431 | 57,753 |
| Other Administration of Justice | 15,191 | 0 | 0 | 15,191 | 23,500 | 23,500 | 8,309 |
| Public Safety | | | | | | | |
| Sheriff's Department | 3,421,816 | (16,513) | 0 | 3,405,303 | 3,711,518 | 3,812,252 | 406,949 |
| Jail | 2,745,415 | 0 | 0 | 2,745,415 | 3,124,346 | 3,124,346 | 378,931 |
| Civil Defense | 310,083 | (4,736) | 780 | 306,127 | 422,742 | 435,242 | 129,115 |
| Rescue Squad | 35,000 | 0 | 0 | 35,000 | 35,000 | 35,000 | 0 |
| County Coroner/Medical Examiner | 48,074 | 0 | 0 | 48,074 | 68,000 | 68,000 | 19,926 |
| Public Health and Welfare | | | | | | | |
| Local Health Center | 127,616 | 0 | 467 | 128,083 | 174,513 | 174,513 | 46,430 |
| Other Local Health Services | 228,197 | 0 | 0 | 228,197 | 591,110 | 603,339 | 375,142 |
| Appropriation to State | 52,497 | 0 | 0 | 52,497 | 52,781 | 52,781 | 284 |
| Other Local Welfare Services | 101,750 | 0 | 0 | 101,750 | 105,000 | 105,000 | 3,250 |
| Social, Cultural, and Recreational Services | | | | | | | |
| Libraries | 10,000 | 0 | 0 | 10,000 | 15,800 | 15,800 | 5,800 |
| Parks and Fair Boards | 378,081 | 0 | 0 | 378,081 | 395,680 | 465,214 | 87,133 |
| Agriculture and Natural Resources | | | | | | | |
| Agricultural Extension Service | 50,274 | 0 | 0 | 50,274 | 85,917 | 85,917 | 35,643 |

(Continued)

Exhibit C-5

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

| | Actual (GAAP Basis) | Less: Encumbrances 7/1/2015 | Add: Encumbrances 6/30/2016 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|-----------------------|-----------------------|--|
| | | | | | Original | Final | |
| Expenditures (Cont.) | | | | | | | |
| Agriculture and Natural Resources (Cont.) | | | | | | | |
| Soil Conservation | \$ 54,429 | \$ 0 | \$ 0 | \$ 54,429 | \$ 56,776 | \$ 56,776 | \$ 2,347 |
| Other Operations | | | | | | | |
| Industrial Development | 789,523 | 0 | 0 | 789,523 | 588,860 | 820,770 | 31,247 |
| Veterans' Services | 50,381 | 0 | 0 | 50,381 | 55,491 | 55,491 | 5,110 |
| Employee Benefits | 45,875 | 0 | 0 | 45,875 | 64,000 | 64,000 | 18,125 |
| Miscellaneous | 438,955 | (591) | 1,531 | 439,895 | 438,620 | 440,120 | 225 |
| Total Expenditures | \$ 16,092,214 | \$ (41,549) | \$ 16,828 | \$ 16,067,493 | \$ 17,360,207 | \$ 18,561,255 | \$ 2,493,762 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 1,045,705 | \$ 41,549 | \$ (16,828) | \$ 1,070,426 | \$ (1,264,324) | \$ (1,694,389) | \$ 2,764,815 |
| Other Financing Sources (Uses) | | | | | | | |
| Insurance Recovery | \$ 3,715 | \$ 0 | \$ 0 | \$ 3,715 | \$ 0 | \$ 4,000 | \$ (285) |
| Transfers In | 400,000 | 0 | 0 | 400,000 | 0 | 400,000 | 0 |
| Transfers Out | (134,000) | 0 | 0 | (134,000) | (100,000) | (134,000) | 0 |
| Total Other Financing Sources | \$ 269,715 | \$ 0 | \$ 0 | \$ 269,715 | \$ (100,000) | \$ 270,000 | \$ (285) |
| Net Change in Fund Balance Fund Balance, July 1, 2015 | \$ 1,315,420 | \$ 41,549 | \$ (16,828) | \$ 1,340,141 | \$ (1,364,324) | \$ (1,424,389) | \$ 2,764,530 |
| Fund Balance, June 30, 2016 | \$ 7,108,859 | \$ 0 | \$ (16,828) | \$ 7,092,031 | \$ 4,493,914 | \$ 4,433,849 | \$ 2,658,182 |

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

Exhibit C-6

Roane 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 | |
| Revenues | | | | |
| Local Taxes | \$ 1,327,525 | \$ 1,321,000 | \$ 1,321,000 | \$ 6,525 |
| Other Local Revenues | 201,720 | 24,000 | 63,300 | 138,420 |
| State of Tennessee | 2,230,473 | 2,121,400 | 2,213,103 | 17,370 |
| Federal Government | 466,043 | 200,000 | 666,000 | (199,957) |
| Other Governments and Citizens Groups | 5,778 | 5,000 | 5,000 | 778 |
| Total Revenues | \$ 4,231,539 | \$ 3,671,400 | \$ 4,268,403 | \$ (36,864) |
| Expenditures | | | | |
| <u>Highways</u> | | | | |
| Administration | \$ 279,703 | \$ 333,461 | \$ 303,461 | \$ 23,758 |
| Highway and Bridge Maintenance | 2,592,504 | 2,258,137 | 2,707,540 | 115,036 |
| Operation and Maintenance of Equipment | 482,269 | 691,509 | 638,809 | 156,540 |
| Traffic Control | 43,568 | 57,569 | 65,069 | 21,501 |
| Litter and Trash Collection | 38,057 | 52,400 | 52,400 | 14,343 |
| Other Charges | 134,899 | 171,960 | 176,960 | 42,061 |
| Employee Benefits | 69,440 | 61,800 | 73,100 | 3,660 |
| Capital Outlay | 0 | 40,000 | 0 | 0 |
| Total Expenditures | \$ 3,640,440 | \$ 3,666,836 | \$ 4,017,339 | \$ 376,899 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 591,099 | \$ 4,564 | \$ 251,064 | \$ 340,035 |
| Other Financing Sources (Uses) | | | | |
| Insurance Recovery | \$ 22,529 | \$ 0 | \$ 13,000 | \$ 9,529 |
| Transfers Out | (387,394) | (122,894) | (387,394) | 0 |
| Total Other Financing Sources | \$ (364,865) | \$ (122,894) | \$ (374,394) | \$ 9,529 |
| Net Change in Fund Balance | \$ 226,234 | \$ (118,330) | \$ (123,330) | \$ 349,564 |
| Fund Balance, July 1, 2015 | 911,399 | 878,559 | 878,559 | 32,840 |
| Fund Balance, June 30, 2016 | \$ 1,137,633 | \$ 760,229 | \$ 755,229 | \$ 382,404 |

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

Exhibit D-1

Roane County, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2016

| | <u>Business-type Activities - Enterprise Fund</u> | <u>Governmental Activities</u> |
|--|---|---------------------------------------|
| | <u>Public Utility Fund</u> | <u>Internal Service Funds</u> |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash | \$ 200 | \$ 0 |
| Equity in Pooled Cash and Investments | 1,136,638 | 1,442,008 |
| Accounts Receivable | 59,867 | 8,505 |
| Allowance for Uncollectibles | (46,983) | 0 |
| Prepaid Items | 100 | 0 |
| Total Current Assets | \$ 1,149,822 | \$ 1,450,513 |
| Noncurrent Assets: | | |
| Net Pension Asset | \$ 30,332 | \$ 0 |
| Capital Assets: | | |
| Assets Not Depreciated: | | |
| Land | 5,000 | 0 |
| Construction in Progress | 2,514,078 | 0 |
| Assets Net of Accumulated Depreciation: | | |
| Buildings and Improvements | 279,541 | 0 |
| Infrastructure | 3,816,111 | 0 |
| Machinery and Equipment | 461,130 | 0 |
| Total Noncurrent Assets | \$ 7,106,192 | \$ 0 |
| Total Assets | \$ 8,256,014 | \$ 1,450,513 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Pension Contributions After Measurement Date | \$ 16,210 | \$ 0 |
| Total Deferred Outflows of Resources | \$ 16,210 | \$ 0 |
| Total Assets and Deferred Outflows of Resources | \$ 8,272,224 | \$ 1,450,513 |
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 11,138 | \$ 9,980 |
| Accrued Payroll | 4,090 | 0 |
| Payroll Deductions Payable | 5,135 | 0 |
| Claims and Judgments Payable | 0 | 769,468 |
| Due to Other Funds | 74 | 0 |
| General Obligation Bonds Payable | 46,690 | 0 |
| Other Loans Payable | 189,528 | 0 |
| Total Current Liabilities | \$ 256,655 | \$ 779,448 |

(Continued)

Exhibit D-1

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

| | <u>Business-type Activities - Enterprise Fund</u> | <u>Governmental Activities</u> |
|--|---|------------------------------------|
| | <u>Public Utility Fund</u> | <u>Internal Service Funds</u> |
| <u>LIABILITIES (Cont.)</u> | | |
| Noncurrent Liabilities: | | |
| General Obligation Bonds Payable - Long-term | \$ 596,421 | \$ 0 |
| Other Loans Payable - Long-term | 3,811,143 | 0 |
| Total Noncurrent Liabilities | <u>\$ 4,407,564</u> | <u>\$ 0</u> |
| Total Liabilities | <u>\$ 4,664,219</u> | <u>\$ 779,448</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Pension Changes in Experience | \$ 6,543 | \$ 0 |
| Pension Changes in Investment Earnings | 6,385 | 0 |
| Total Deferred Inflows of Resources | <u>\$ 12,928</u> | <u>\$ 0</u> |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | \$ 2,432,078 | \$ 0 |
| Restricted for Other Purposes | 30,332 | 0 |
| Unrestricted | <u>1,132,667</u> | <u>671,065</u> |
| Total Net Position | <u>\$ 3,595,077</u> | <u>\$ 671,065</u> |

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

Exhibit D-2

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

| | Business-type Activities - Enterprise Fund | Governmental Activities |
|-------------------------------------|---|------------------------------|
| | Public Utility Fund | Internal Service Funds |
| <u>Operating Revenues</u> | | |
| Charges for Services | \$ 1,084,611 | \$ 1,095,683 |
| Total Operating Revenues | <u>\$ 1,084,611</u> | <u>\$ 1,095,683</u> |
| <u>Operating Expenses</u> | | |
| Salaries and Benefits | \$ 285,300 | \$ 10,851 |
| Handling Charges and Administration | 0 | 52,568 |
| Advertising | 77 | 0 |
| Communication | 2,119 | 0 |
| Dues and Memberships | 700 | 0 |
| Engineering Services | 10,302 | 0 |
| Legal Services | 21,677 | 0 |
| Licenses | 601 | 0 |
| Maintenance Agreements | 7,853 | 0 |
| Maintenance and Repair Services | 34,209 | 0 |
| Postal Charges | 3,793 | 0 |
| Printing, Stationery, and Forms | 410 | 0 |
| Rentals | 80 | 0 |
| Travel | 0 | 1,863 |
| Disposal Fees | 14,276 | 0 |
| Other Contracted Services | 580 | 0 |
| Custodial Supplies | 568 | 0 |
| Diesel Fuel | 485 | 0 |
| Electricity | 61,367 | 0 |
| Food Supplies | 543 | 0 |
| Gasoline | 5,069 | 0 |
| Lubricants | 390 | 0 |
| Office Supplies | 2,294 | 0 |
| Tires and Tubes | 12 | 0 |
| Uniforms | 1,888 | 0 |
| Water and Sewer | 6,709 | 0 |
| Testing | 9,736 | 0 |
| Chemicals | 22,752 | 0 |

(Continued)

Exhibit D-2

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

| | Business-type Activities - Enterprise Fund | Governmental Activities |
|--|---|------------------------------|
| | Public Utility Fund | Internal Service Funds |
| <u>Operating Expenses (Cont.)</u> | | |
| Building and Contents Insurance | \$ 6,283 | \$ 0 |
| Liability Insurance | 11,465 | 0 |
| Medical Claims | 0 | 957,819 |
| Trustee's Commission | 11,886 | 0 |
| Vehicle and Equipment Insurance | 7,063 | 0 |
| Workers' Compensation Insurance | 4,600 | 132,696 |
| Depreciation | 269,223 | 0 |
| In Service/Staff Development | 178 | 0 |
| Other Charges | 822 | 0 |
| Other Capital Outlay | 125,900 | 0 |
| Total Operating Expenses | <u>\$ 931,210</u> | <u>\$ 1,155,797</u> |
| Operating Income (Loss) | <u>\$ 153,401</u> | <u>\$ (60,114)</u> |
| <u>Nonoperating Revenues (Expenses)</u> | | |
| Investment Income | \$ 0 | \$ 2,979 |
| Interest on Bonds | (29,466) | 0 |
| Interest on Other Loans | (75,169) | 0 |
| Grants | 146,042 | 0 |
| Total Nonoperating Revenue (Expenses) | <u>\$ 41,407</u> | <u>\$ 2,979</u> |
| Income (Loss) Before Contributions and Transfers | \$ 194,808 | \$ (57,135) |
| Transfers In (Out) | (400,000) | 0 |
| Change in Net Position | \$ (205,192) | \$ (57,135) |
| Net Position July 1, 2015 | <u>3,800,269</u> | <u>728,200</u> |
| Net Position, June 30, 2016 | <u>\$ 3,595,077</u> | <u>\$ 671,065</u> |

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

Exhibit D-8

Roane County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

| | Business-type Activities - Enterprise Fund | Governmental Activities |
|---|---|------------------------------|
| | Public Utility Fund | Internal Service Funds |
| <u>Cash Flows from Operating Activities</u> | | |
| Receipts from Customers and Users | \$ 1,160,042 | \$ 0 |
| Receipts from Self-Insurance Premiums | 0 | 1,087,178 |
| Payments to Vendors | (347,333) | 0 |
| Payments to Employees | (285,322) | (10,851) |
| Payments to Employees (Retirement Plan) | (17,424) | 0 |
| Payments to Insurers | (29,411) | (127,783) |
| Payments for Claims | 0 | (1,032,939) |
| Payments for Administrative Costs | 0 | (52,060) |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ 480,552</u> | <u>\$ (136,455)</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | |
| Proceeds from Capital Debt | \$ 396,611 | \$ 0 |
| Capital Grants | 207,327 | 0 |
| Acquisition and Construction of Capital Assets | (648,267) | 0 |
| Principal Paid on Bonds | (41,149) | 0 |
| Principal Paid on Other Loans Payable | (93,516) | 0 |
| Interest Paid on Bonds | (29,466) | 0 |
| Interest Paid on Other Loans Payable | (75,169) | 0 |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <u>\$ (283,629)</u> | <u>\$ 0</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | | |
| Transfers to Other Funds | \$ (400,000) | \$ 0 |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <u>\$ (400,000)</u> | <u>\$ 0</u> |
| <u>Cash Flows from Investing Activities</u> | | |
| Interest on Investments | \$ 0 | \$ 2,979 |
| Net Cash Provided By (Used In) Investing Activities | <u>\$ 0</u> | <u>\$ 2,979</u> |
| Increase (Decrease) in Cash | \$ (203,077) | \$ (133,476) |
| Cash, July 1, 2015 | <u>1,339,915</u> | <u>1,575,484</u> |
| Cash, June 30, 2016 | <u>\$ 1,136,838</u> | <u>\$ 1,442,008</u> |

(Continued)

Exhibit D-3

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

| | Business-type Activities - Enterprise Fund | Governmental Activities |
|---|---|------------------------------|
| | Public Utility Fund | Internal Service Funds |
| | <hr/> | <hr/> |
| <u>Reconciliation of Net Operating Income (Loss)</u> | | |
| <u>to Net Cash Provided By (Used In) Operating Activities</u> | | |
| Operating Income (Loss) | \$ 153,401 | \$ (60,114) |
| Adjustments to Reconcile Net Operating Income (Loss) | | |
| to Net Cash Provided By (Used In) Operating Activities: | | |
| Depreciation | 269,223 | 0 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Current Operating Receivables | 75,431 | (8,505) |
| (Increase) Decrease in Prepaid Items | (100) | 0 |
| Increase (Decrease) in Accounts Payable | 785 | 0 |
| Increase (Decrease) in Accrued Payroll | (149) | 0 |
| Increase (Decrease) in Due to Other Funds | (742) | 0 |
| Increase (Decrease) in Payroll Deductions Payable | 127 | 0 |
| (Increase) Decrease in Net Pension Asset | 40,666 | 0 |
| (Increase) Decrease in Deferred Outflows Related to Pensions | (245) | 0 |
| Increase (Decrease) in Deferred Inflows Related to Pensions | (57,845) | 0 |
| Increase (Decrease) in Other Current Operating Liabilities | 0 | (67,836) |
| | <hr/> | <hr/> |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ 480,552</u> | <u>\$ (136,455)</u> |

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

Exhibit E-1

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

| | Private Purpose Trust Fund | |
|--|-------------------------------------|-------------------------|
| | <u>Endowment Fund</u> | <u>Agency Funds</u> |
| <u>ASSETS</u> | | |
| Cash | \$ 0 | \$ 1,568,199 |
| Equity in Pooled Cash and Investments | 20,041 | 500,223 |
| Due from Other Governments | 0 | 1,157,224 |
| Due from Other Funds | 0 | 3,300 |
| Property Taxes Receivable | 0 | 853,824 |
| Allowance for Uncollectible Property Taxes | 0 | (33,607) |
| Prepaid Items | 0 | 11,731 |
| Notes Receivable - Long-term | 0 | 611,654 |
| | <u>0</u> | <u>611,654</u> |
| Total Assets | <u>\$ 20,041</u> | <u>\$ 4,672,548</u> |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 41 | \$ 41,265 |
| Due to Other Funds | 0 | 5,040 |
| Due to Other Taxing Units | 0 | 1,973,343 |
| Due to Litigants, Heirs, and Others | 0 | 1,594,333 |
| Due to Joint Ventures | 0 | 157,463 |
| Other Current Liabilities | 0 | 901,104 |
| | <u>0</u> | <u>901,104</u> |
| Total Liabilities | <u>\$ 41</u> | <u>\$ 4,672,548</u> |
| <u>NET POSITION</u> | | |
| Held in Trust for Scholarships | <u>\$ 20,000</u> | |

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

Exhibit E-2

Roane County, Tennessee
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2016

| | Private Purpose Trust Fund <hr/> Endowment Fund |
|-----------------------------|--|
| <u>ADDITIONS</u> | |
| Investment Income: | |
| Interest | \$ 41 |
| Total Additions | <hr/> \$ 41 |
| <u>DEDUCTIONS</u> | |
| Education: | |
| Scholarships | \$ 41 |
| Total Deductions | <hr/> \$ 41 |
| Change in Net Position | \$ 0 |
| Net Position, July 1, 2015 | <hr/> 20,000 |
| Net Position, June 30, 2016 | <hr/> <hr/> \$ 20,000 |

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Roane 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 Roane County:

A. Reporting Entity

Roane County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Roane County (the primary government) and its component units. The financial statements of the Industrial Development Board of Roane County and the Roane County Emergency Communications District, component units requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of their omission did not affect the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Roane County School Department operates the public school system in the county, and the voters of Roane 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 Industrial Development Board of Roane County was organized to promote industrial development and provide additional job opportunities in Roane County and the surrounding counties in accordance with Title 7, Chapter 53, of *Tennessee Code Annotated*. The Industrial Development Board of Roane County is governed by a nine-member board of directors appointed by the Roane County Commission. During the year, Roane County provided \$402,250 to the Industrial Development Board to be applied toward operations of the board. The financial statements of the Industrial Development Board of Roane County were not material to the component units' opinion unit and therefore have been omitted from this report.

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

The Roane 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 Industrial Development Board of Roane County and the Roane County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Industrial Development Board of Roane County
1209 North Kentucky Street
Kingston, TN 37763

Roane County Emergency Communications District
P.O. Box 236
Rockwood, TN 37854

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 Roane 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.

Roane County issues all debt for the discretely presented Roane County School Department. There were no debt issues 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 (internal service and enterprise), and fiduciary funds. The internal service funds are reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable

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

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

Proprietary funds 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.

Roane 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.

General Capital Projects Fund – This fund accounts for general capital expenditures for the county.

Roane County reports the following major proprietary fund:

Public Utility Fund – This fund accounts for transactions related to the treatment of wastewater.

Additionally, Roane County reports the following fund types:

Private Purpose Trust Fund – The Endowment Fund is used to account for an endowment received by the county. The principal amount must remain intact while interest earned on the principal is to be expended for the benefit of scholarships for Roane County students.

Internal Service Funds – These funds, the Employee Insurance - Dental and the Workers' Compensation funds, are used to account for the county's self-insured dental and workers' compensation programs managed by the county for the primary government and the discretely presented School Department.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers; local sales taxes received by the state to be forwarded to the various cities in Roane County; the city school system's share of educational revenues; restricted revenues held for the benefit of the Office of District Attorney General and drug task force; and assets held in a custodial capacity for an industrial revolving loan program. 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 Roane County School Department reports the following major governmental fund:

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

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

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

Capital Projects Fund – The Education Capital Projects fund is used to account for building construction and renovations of the School Department.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has three proprietary funds, an enterprise fund used to account for wastewater operations and two internal service funds used to account for the employees' dental insurance and workers' compensation programs managed by the county for the primary government and the discretely presented School Department. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the county's enterprise fund is charges for services from users. Operating expenses for the enterprise fund include salaries and depreciation of capital assets. The principal operating revenues of the county's internal service funds are self-insurance premiums. Operating expenses for the internal service funds include dental and workers' compensation claims, administrative expenses, and excess risk workers' compensation insurance.

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 cash on deposit with the county trustee.

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Roane 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, Rural Debt Service, and General Purpose School funds. Roane County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a Stable Net Asset Value.

State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

All ambulance, property taxes, and public utility receivables are shown with an allowance for uncollectibles. Ambulance and public utility receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.11 percent of total taxes levied.

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

Most payables are disaggregated on the face of the financial statements. Other current liabilities totaling \$68,466 reflected for the discretely presented School Department on the Statement of Net Position represent monies refunded to the School Department in error by the Internal Revenue Service.

3. **Prepaid Items**

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

4. **Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life exceeding five years. 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 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 | 40 |
| Other Capital Assets | 5 - 10 |
| Infrastructure | 10 - 100 |

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

It is the county and School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Roane County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements 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, other postemployment benefits, and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. Net Position and Fund Balance

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

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

Restricted for Other Purposes in the governmental activities (\$1,547,750) and the business-type activities (\$30,332) of the primary government and a portion of the Restricted for Education in the discretely presented School Department (\$1,147,182) is attributable to net pension assets of the agent and teacher retirement pension plans.

As of June 30, 2016, Roane County had \$16,607,151 in outstanding debt for capital purposes of other entities (schools of \$11,063,897 and industrial purposes of \$5,543,254). In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Oak Ridge School System) based on an average daily attendance proration. This debt is a liability of Roane County; but the capital assets acquired are reported in the financial statements of the School Department and the City of Oak Ridge School System. Therefore, Roane 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 unrestricted amounts would be reduced first followed by restricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that unassigned amounts would be reduced first, followed by assigned amounts, and then committed amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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

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

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's

highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission makes assignments for the general government. The Board of Education makes assignments for the School Department. Assigned fund balance in the General Fund consists of amounts assigned for encumbrances (\$16,828) and amounts appropriated for use in 2016-17 year budget (\$851,621). Assigned fund balance in the School Department's General Purpose School Fund (\$542,205) consists primarily of assignments for encumbrances (\$61,991) and other postemployment benefits (\$454,276).

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

9. **Optimal Fund Balance Policy**

The county does not have a minimum fund balance policy; however, the County Commission and Board of Education have adopted policies establishing optimal fund balances to provide management with appropriate guidelines and direction to assist in making sound decisions related to managing the fund balance of certain governmental funds. The following optimal fund balance policies apply to the sum of restricted, committed, assigned, and unassigned fund balance, with the exception of the General Purpose School Fund for which the policy applies only to unassigned fund balance.

Primary Government

General Fund – 35 to 45 percent of current-year appropriations

Highway/Public Works Fund – seven to 15 percent of current-year appropriations

Debt Service Funds – the county will typically have one year of future payments as fund balance

Discretely Presented Roane County School Department

General Purpose School Fund – seven to ten percent of operating expenditures

Central Cafeteria Fund – 15 to 30 percent of operating expenditures

School Transportation Fund – ten to 20 percent of operating expenditures

Extended School Program Fund – 15 to 40 percent of operating expenditures

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

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

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

Primary Government

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

Discretely Presented Roane County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 Highway Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year-end.

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County 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 GAAP basis is presented on the face of each budgetary schedule.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Roane County and the Roane 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 fair 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 loans associations; bonds of any state

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

Investment Balances. As of June 30, 2016, Roane County had the following investments carried at amortized cost. All investments are in the State Treasurer's Investment Pool. Separate disclosures concerning pooled investments cannot be made for Roane County and the discretely presented Roane County School Department since both pool their deposits and investments through the county trustee.

| <u>Investment</u> | <u>Weighted Average Maturity (days)</u> | <u>Amortized Cost</u> |
|-----------------------------------|---|---------------------------|
| State Treasurer's Investment Pool | 4 to 117 | \$ 19,296,415 |

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Roane County has no investment policy that would further limit its investment choices. As of June 30, 2016, Roane County's investment in the State Treasurer's Investment Pool was unrated.

B. Notes Receivable

Notes receivable consists of industrial loans totaling \$611,654 in the Community Development - Agency Fund due from local businesses.

C. 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 |
|--|----------------------|---------------------|---------------------|----------------------|
| Capital Assets | | | | |
| Not Depreciated: | | | | |
| Land | \$ 4,959,927 | \$ 0 | \$ 0 | \$ 4,959,927 |
| Construction in Progress | 458,967 | 138,474 | (92,244) | 505,197 |
| Total Capital Assets Not Depreciated | \$ 5,418,894 | \$ 138,474 | \$ (92,244) | \$ 5,465,124 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 15,937,196 | \$ 300,387 | \$ 0 | \$ 16,237,583 |
| Infrastructure | 36,777,069 | 1,465,449 | 0 | 38,242,518 |
| Other Capital Assets | 12,227,282 | 1,022,551 | (189,102) | 13,060,731 |
| Total Capital Assets Depreciated | \$ 64,941,547 | \$ 2,788,387 | \$ (189,102) | \$ 67,540,832 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 3,848,960 | \$ 432,154 | \$ 0 | \$ 4,281,114 |
| Infrastructure | 15,388,094 | 1,381,276 | 0 | 16,769,370 |
| Other Capital Assets | 8,517,851 | 1,078,222 | (189,102) | 9,406,971 |
| Total Accumulated Depreciation | \$ 27,754,905 | \$ 2,891,652 | \$ (189,102) | \$ 30,457,455 |
| Total Capital Assets Depreciated, Net | \$ 37,186,642 | \$ (103,265) | \$ 0 | \$ 37,083,377 |
| Governmental Activities Capital Assets, Net | \$ 42,605,536 | \$ 35,209 | \$ (92,244) | \$ 42,548,501 |

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

Governmental Activities:

| | |
|---|---------------------|
| General Government | \$ 414,203 |
| Finance | 3,598 |
| Administration of Justice | 14,624 |
| Public Safety | 446,159 |
| Public Health and Welfare | 414,454 |
| Social, Cultural, and Recreational Services | 59,791 |
| Highways/Public Works | <u>1,538,823</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 2,891,652</u> |

Business-Type Activities:

| | Balance 7-1-15 | Increases | Decreases | Balance 6-30-16 |
|---|---------------------|-------------------|---------------------|---------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 5,000 | \$ 0 | \$ 0 | \$ 5,000 |
| Construction in Progress | <u>2,737,269</u> | <u>244,244</u> | <u>(467,435)</u> | <u>2,514,078</u> |
| Total Capital Assets Not Depreciated | <u>\$ 2,742,269</u> | <u>\$ 244,244</u> | <u>\$ (467,435)</u> | <u>\$ 2,519,078</u> |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 996,279 | \$ 0 | \$ 0 | \$ 996,279 |
| Infrastructure | 5,186,428 | 477,194 | 0 | 5,663,622 |
| Other Capital Assets | <u>837,195</u> | <u>189,000</u> | <u>0</u> | <u>1,026,195</u> |
| Total Capital Assets Depreciated | <u>\$ 7,019,902</u> | <u>\$ 666,194</u> | <u>\$ 0</u> | <u>\$ 7,686,096</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 707,926 | \$ 8,812 | \$ 0 | \$ 716,738 |
| Infrastructure | 1,716,744 | 130,767 | 0 | 1,847,511 |
| Other Capital Assets | <u>435,421</u> | <u>129,644</u> | <u>0</u> | <u>565,065</u> |
| Total Accumulated Depreciation | <u>\$ 2,860,091</u> | <u>\$ 269,223</u> | <u>\$ 0</u> | <u>\$ 3,129,314</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 4,159,811</u> | <u>\$ 396,971</u> | <u>\$ 0</u> | <u>\$ 4,556,782</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 6,902,080</u> | <u>\$ 641,215</u> | <u>\$ (467,435)</u> | <u>\$ 7,075,860</u> |

Depreciation expense totaling \$269,223 was charged to the Public Utility Fund.

Discretely Presented Roane County School Department

Governmental Activities:

| | Balance 7-1-15 | Increases | Decreases | Balance 6-30-16 |
|--|-----------------------|-----------------------|--------------------|-----------------------|
| Capital Assets | | | | |
| Not Depreciated: | | | | |
| Land | \$ 1,338,172 | \$ 0 | \$ 0 | \$ 1,338,172 |
| Construction in Progress | 121,829 | 458,029 | 0 | 579,858 |
| Total Capital Assets Not Depreciated | \$ 1,460,001 | \$ 458,029 | \$ 0 | \$ 1,918,030 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 105,405,457 | \$ 12,435 | \$ 0 | \$ 105,417,892 |
| Other Capital Assets | 8,929,620 | 599,303 | (39,188) | 9,489,735 |
| Total Capital Assets Depreciated | \$ 114,335,077 | \$ 611,738 | \$ (39,188) | \$ 114,907,627 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 36,720,548 | \$ 2,550,494 | \$ 0 | \$ 39,271,042 |
| Other Capital Assets | 6,964,976 | 506,754 | (39,188) | 7,432,542 |
| Total Accumulated Depreciation | \$ 43,685,524 | \$ 3,057,248 | \$ (39,188) | \$ 46,703,584 |
| Total Capital Assets Depreciated, Net | \$ 70,649,553 | \$ (2,445,510) | \$ 0 | \$ 68,204,043 |
| Governmental Activities Capital Assets, Net | \$ 72,109,554 | \$ (1,987,481) | \$ 0 | \$ 70,122,073 |

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

Governmental Activities:

| | |
|---|---------------------|
| Support Services | \$ 3,025,696 |
| Operation of Non-instructional Services | 31,552 |
| Total Depreciation Expense - Governmental Activities | \$ 3,057,248 |

D. Construction Commitments

At June 30, 2016, the county had an uncompleted construction contract in the General Capital Projects Fund of approximately \$203,065 for the construction of a sports complex. Funding has been received for these future expenditures.

E. 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 | \$ 7,472 |
| Highway/Public Works | General | 37 |
| " | Nonmajor governmental | 1,711 |
| " | Public Utility | 74 |
| Nonmajor governmental | Nonmajor governmental | 121 |
| Nonmajor governmental | Agency | 1,740 |
| Agency | Agency | 3,300 |
| Discretely Presented School | | |
| Department: | | |
| General Purpose School | Nonmajor governmental | 20,648 |

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.

Interfund Transfers:

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

Primary Government

| <u>Transfers Out</u> | <u>Transfers In</u> | |
|---------------------------|---------------------|----------------------------------|
| | <u>General Fund</u> | <u>General Debt Service Fund</u> |
| Highway/Public Works Fund | \$ 0 | \$ 122,894 |
| Public Utility Fund | 400,000 | 0 |
| Total | \$ 400,000 | \$ 122,894 |

| <u>Transfers Out</u> | <u>Transfers In</u> | |
|-----------------------------|--|--|
| | <u>General Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> |
| General Fund | \$ 134,000 | \$ 0 |
| Highway/Public Works Fund | 0 | 264,500 |
| Nonmajor governmental funds | 122,272 | 0 |
| Total | \$ 256,272 | \$ 264,500 |

Discretely Presented Roane County School Department

| <u>Transfers Out</u> | <u>Transfers In</u> | |
|-----------------------------|--|--|
| | <u>General Purpose School Fund</u> | <u>Nonmajor Governmental Funds</u> |
| General Purpose School Fund | \$ 0 | \$ 27,115 |
| Nonmajor governmental funds | 20,648 | 0 |
| Total | \$ 20,648 | \$ 27,115 |

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

F. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Roane County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds and other loans have been issued to refund other general obligation bonds and loans. 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 25 years for bonds

and up to 17 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 county's debt service funds. The county had no outstanding capital outlay notes at June 30, 2016.

General obligation bonds and other loans 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 | 2 to 5 % | 6-1-25 | \$ 5,881,503 | \$ 2,300,856 |
| General Obligation Refunding Bonds | 2 to 5 | 6-1-33 | 26,823,497 | 20,419,144 |
| Rural School Bonds | 2 to 3.5 | 6-30-20 | 1,325,000 | 550,000 |
| Rural School Refunding Bonds | 2.8 to 5 | 5-1-22 | 14,215,000 | 9,920,000 |
| Other Loans - Public Building Authorities | 4.25 to 6 | 6-1-27 | 2,500,000 | 2,350,000 |
| Other Loans - Energy Efficient Schools | 0 | 3-1-23 | 944,127 | 593,897 |

Roane County has entered into various loan agreements with Public Building Authorities (PBAs) to finance various capital projects for the county and the discretely presented Roane County School Department. Under the loan agreements, the PBAs issued bonds and made the proceeds available for loan to Roane County. The following table summarizes loan agreements (excluding the energy efficient loans) outstanding at June 30, 2016:

| Description | Original Amount of Loan Agreement | Outstanding Principal 6-30-16 | Interest Type | Interest Rate |
|--|-----------------------------------|-------------------------------|---------------|---------------|
| <u>Blount County Public Building Authority (Series B-13-A)</u> | | | | |
| Public Improvement-County | \$ 1,750,000 | \$ 1,600,000 | Fixed | 5.6 to 6 % |
| <u>Blount County Public Building Authority (Series B-20-A)</u> | | | | |
| Public Improvement-County | 750,000 | <u>750,000</u> | Fixed | 4.25 to 5 |
| Total | | <u>\$ 2,350,000</u> | | |

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

| Year Ending June 30 | Other Loans | | |
|------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2017 | \$ 248,316 | \$ 130,387 | \$ 378,703 |
| 2018 | 273,316 | 121,913 | 395,229 |
| 2019 | 273,316 | 111,937 | 385,253 |
| 2020 | 298,316 | 101,438 | 399,754 |
| 2021 | 298,316 | 89,437 | 387,753 |
| 2022-2026 | 1,277,317 | 252,938 | 1,530,255 |
| 2027 | 275,000 | 11,688 | 286,688 |
| Total | \$ 2,943,897 | \$ 819,738 | \$ 3,763,635 |

| Year Ending June 30 | Bonds | | |
|------------------------|----------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2017 | \$ 3,410,000 | \$ 1,281,221 | \$ 4,691,221 |
| 2018 | 3,570,000 | 1,168,521 | 4,738,521 |
| 2019 | 3,730,000 | 1,029,726 | 4,759,726 |
| 2020 | 3,905,000 | 892,743 | 4,797,743 |
| 2021 | 3,375,000 | 756,984 | 4,131,984 |
| 2022-2026 | 8,750,000 | 2,335,074 | 11,085,074 |
| 2027-2031 | 4,450,000 | 1,095,125 | 5,545,125 |
| 2032-2033 | 2,000,000 | 138,750 | 2,138,750 |
| Total | \$ 33,190,000 | \$ 8,698,144 | \$ 41,888,144 |

There is \$3,738,946 available in the debt service funds to service long-term debt. Debt per capita, including bonds and other loans totaled \$704, for residents living outside the Harriman and Oak Ridge school districts, \$495, for residents living inside the Harriman school district, and \$474, for residents living inside the Oak Ridge school district 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

| | <u>Bonds</u> | <u>Other Loans</u> |
|-----------------------------|----------------------|---------------------|
| Balance, July 1, 2015 | \$ 35,975,000 | \$ 3,667,213 |
| Reductions | <u>(2,785,000)</u> | <u>(723,316)</u> |
| Balance, June 30, 2016 | <u>\$ 33,190,000</u> | <u>\$ 2,943,897</u> |
| Balance Due Within One Year | <u>\$ 3,410,000</u> | <u>\$ 248,316</u> |

| | <u>Landfill Postclosure Care Costs</u> | <u>Compensated Absences</u> | <u>Other Post- Employment Benefits</u> |
|-----------------------------|--|---------------------------------|--|
| Balance, July 1, 2015 | \$ 113,758 | \$ 403,007 | \$ 4,846,900 |
| Additions | 0 | 442,467 | 610,270 |
| Reductions | <u>(23,749)</u> | <u>(415,014)</u> | <u>(107,861)</u> |
| Balance, June 30, 2016 | <u>\$ 90,009</u> | <u>\$ 430,460</u> | <u>\$ 5,349,309</u> |
| Balance Due Within One Year | <u>\$ 36,561</u> | <u>\$ 363,882</u> | <u>\$ 0</u> |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|----------------------|
| Total Noncurrent Liabilities, June 30, 2016 | \$ 42,003,675 |
| Less: Balance Due Within One Year | (4,058,759) |
| Add: Unamortized Premium on Debt | <u>502,031</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 38,446,947</u> |

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill postclosure care costs will be paid by the Other Special Revenue Fund.

Roane County Public Utility Fund (enterprise fund)

Bonds and Other Loans

Revenue and general obligation bonds and other loans outstanding were issued for original terms of up to 38 years for bonds and up to 24 years for other loans.

Bonds and other loans 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 |
|-----------------------------------|---------------|----------------|--------------------------|-----------------|
| Revenue and Tax Bonds | 4.75 % | 4-20-40 | \$ 620,000 | \$ 503,111 |
| General Obligation Bonds | 2 to 3.75 | 6-1-20 | 305,000 | 140,000 |
| Other Loans - Revolving Loan Fund | 1.77 | 12-1-35 | 4,468,000 | 4,000,671 (1) |

(1) \$373,813 remains available for draws under this revolving loan fund.

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

| Year Ending June 30 | Other Loans | | | |
|------------------------|---------------------|-------------------|------------------|---------------------|
| | Principal | Interest | Other Fees | Total |
| 2017 | \$ 189,528 | \$ 75,900 | \$ 3,432 | \$ 268,860 |
| 2018 | 192,912 | 72,516 | 3,276 | 268,704 |
| 2019 | 196,356 | 69,072 | 3,120 | 268,548 |
| 2020 | 199,860 | 65,568 | 2,964 | 268,392 |
| 2021 | 203,424 | 62,004 | 2,808 | 268,236 |
| 2022-2026 | 1,072,896 | 254,244 | 11,496 | 1,338,636 |
| 2027-2031 | 1,172,088 | 155,052 | 7,008 | 1,334,148 |
| 2032-2035 | 773,607 | 41,956 | 1,575 | 817,138 |
| Total | \$ 4,000,671 | \$ 796,312 | \$ 35,679 | \$ 4,832,662 |

| Year Ending June 30 | Bonds | | |
|------------------------|-------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| 2017 | \$ 46,690 | \$ 28,025 | \$ 74,715 |
| 2018 | 47,258 | 26,407 | 73,665 |
| 2019 | 47,853 | 24,762 | 72,615 |
| 2020 | 48,477 | 23,001 | 71,478 |
| 2021 | 14,131 | 21,209 | 35,340 |
| 2022-2026 | 81,638 | 95,062 | 176,700 |
| 2027-2031 | 103,474 | 73,226 | 176,700 |
| 2032-2036 | 131,151 | 45,549 | 176,700 |
| 2037-2040 | 122,439 | 11,622 | 134,061 |
| Total | \$ 643,111 | \$ 348,863 | \$ 991,974 |

Changes in Long-term Obligations

Long-term obligation activity for the Public Utility Fund (enterprise fund) for the year ended June 30, 2016, was as follows:

Business-type Activities:

| | Bonds | | Other Loans | |
|------------------------------------|-------------------|-----------|------------------|--|
| | | | | |
| Balance, July 1, 2015 | \$ 684,260 | \$ | 3,697,576 | |
| Additions | | 0 | 396,611 | |
| Reductions | (41,149) | | (93,516) | |
| Balance, June 30, 2016 | \$ 643,111 | \$ | 4,000,671 | |
| Balance Due Within One Year | \$ 46,690 | \$ | 189,528 | |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|----------------------------|
| Total Noncurrent Liabilities, June 30, 2016 | \$ 4,643,782 |
| Less: Balance Due Within One Year | <u>(236,218)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 4,407,564</u> |

Discretely Presented Roane County School Department

Changes in Long-term Obligations

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

| | Compensated Absences | Other Postemployment Benefits | Net Pension Liability (Asset) Teacher Legacy Plan |
|------------------------------------|-------------------------|-------------------------------------|--|
| Balance, July 1, 2015 | \$ 153,778 | \$ 6,855,584 | \$ (113,689) |
| Additions | 196,139 | 1,288,968 | 9,646,330 |
| Reductions | (204,930) | (726,290) | (9,247,730) |
| Balance, June 30, 2016 | \$ 144,987 | \$ 7,418,262 | \$ 284,911 |
| Balance Due Within One Year | \$ 137,738 | \$ 0 | \$ 0 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|-------------------------|
| Total Noncurrent Liabilities, June 30, 2016 | \$ 7,848,160 |
| Less: Balance Due Within One Year | <u>(137,738)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 7,710,422</u> |

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

G. On-Behalf Payments – Discretely Presented Roane County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Roane 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 \$208,001 and \$62,888, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Short-term Debt

The Roane County Debt Service Fund issued a tax anticipation note to the General Purpose School Fund in advance of property tax collections. This note was necessary to ensure funds would be available to meet obligations of the School Department due to a delay in the calculation of the 2015 tax roll which in turn delayed the collection of property taxes. Short term debt activity for the year ended June 30, 2016, was as follows:

| | Balance | | | Balance |
|------------------------|---------|--------------|----------------|---------|
| | 7-1-15 | Issued | Paid | 6-30-16 |
| Tax Anticipation Notes | \$ 0 | \$ 1,000,000 | \$ (1,000,000) | \$ 0 |

I. Donor-restricted Endowments

The county accounts for an endowment totaling \$20,000 in a private-purpose trust fund, the Endowment Fund. The principal amount must remain intact while interest earned on the principal will be expended to county residents awarded educational scholarships. During the year ended June 30, 2016, interest earned totaled \$41.

V. OTHER INFORMATION

A. Risk Management

Roane County has chosen to establish two self-insurance funds for risks associated with the employees' dental insurance plan and workers' compensation claims. The self-insurance funds are accounted for as internal service funds where assets are set aside for claim settlements. The county retains the risk of loss to a limit of \$450,000 per occurrence and approximately \$3 million for all claims in any plan year for workers' compensation coverage. The county has obtained a stop/loss commercial insurance policy to cover claims beyond these limits.

All full-time employees of the primary government and the Roane County School Department are eligible to participate in the dental program. A premium charge for dental and workers' compensation coverage is allocated to each fund that accounts for employees. This charge is based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. Reserves of \$182,517 and \$488,548 existed in the Employee Insurance – Dental and Workers' Compensation funds, respectively at June 30, 2016. Liabilities of these funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The self-insurance funds establish claim liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include incremental claim adjustment expenditures/expenses, if any.

In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

Employee Insurance - Dental

| | Beginning of Fiscal Year Liability | Current-year Claims and Estimates | Payments | Balance at Fiscal Year-end |
|-----------|---|---|--------------|----------------------------------|
| 2014-2015 | \$ 0 | \$ 488,563 | \$ (488,563) | \$ 0 |
| 2015-2016 | 0 | 512,495 | (512,495) | 0 |

Workers' Compensation

| | Beginning of Fiscal Year Liability | Current-year Claims and Estimates | Payments | Balance at Fiscal Year-end |
|-----------|---|---|--------------|----------------------------------|
| 2014-2015 | \$ 150,659 | \$ 1,174,756 | \$ (480,826) | 844,589 |
| 2015-2016 | 844,589 | 445,323 | (520,444) | 769,468 |

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

The discretely presented Roane County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *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.

The county and the School Department continue to carry commercial insurance for other risks of loss, including general liability, property, casualty, and environmental. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 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 standards.

C. Subsequent Events

On June 30, 2016, Gary Aytes left the Office of Director of Schools and was succeeded by Dr. Leah Watkins.

On August 31, 2016, David Morgan left the Office of Property Assessor and was succeeded by Molly Hartup.

Kaley Walker left the office of Director of Accounts and Budgets on August 29, 2016. Connie Aytes was hired as the Director of Accounts and Budgets on September 19, 2016.

D. Contingent Liabilities

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

E. Landfill Closure/Postclosure Care Costs

Roane County has an active permit on file with the state Department of Environment and Conservation for a sanitary 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 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. Roane County closed its sanitary landfill in 1998. The \$90,009 reported as postclosure care liability as 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

Roane County entered into an agreement with the counties of Cumberland and Morgan, Tennessee, to establish an Industrial Development Board to purchase land for the development of a joint industrial park. Cumberland, Morgan, and Roane counties jointly own the park. The agreement established a nine-member board with each county appointing three members and having responsibility for one-third of the entity's funding. Roane County issued loans for \$1,750,000 and \$750,000 on October 18, 2007, and June 15, 2010, respectively. The proceeds of these loans were contributed to the board.

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Ninth Judicial District; Roane, Loudon, Meigs, and Morgan counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of

drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, which includes the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Roane County made no contributions to the DTF for the year ended June 30, 2016. Roane County does not have an equity interest in the DTF.

Complete financial statements for the Industrial Development Board and the DTF can be obtained from their administrative offices at the following addresses:

Administrative Office:

Industrial Development Board of the
Counties of Cumberland, Morgan,
and Roane, Tennessee
34 South Main Street
Crossville, TN 38555

Office of District Attorney General
Ninth Judicial District Drug Task Force
P.O. Box 703
Kingston, TN 37763

G. Jointly Governed Organization

The County Commission is responsible for appointing three members to the board of directors of the Roane Alliance, Inc. The total number of board members fluctuates from 29 to 48 members. The remaining members are appointed by other entities or are ex-officio from various organizations. The county's accountability for this organization does not extend beyond making these three appointments.

H. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

Public Employee Retirement Plan

General Information About the Pension Plan

Plan Description. Employees of Roane County and non-certified employees of the discretely presented Roane County School Department with membership in the TCRS before October 1, 2015, are provided a defined benefit pension plan through the Public Employee Legacy Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The Public Employee Legacy Pension Plan

is closed to new membership. Employees of Roane County and non-certified employees of the discretely presented Roane County School Department with membership in the TCRS after October 1, 2015, are provided with pensions through a legally separate plan, referred to as the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.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 at age 65 with five years of service credit or pursuant to the rule of 90 where the member's age and service total 90. Members of the Public Employee Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's 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. Under the Public Employee 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 employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of

their salary. Roane County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Contributions were not made until after the effective date of October 1, 2015; therefore, no contributions were made during the measurement period. By law, employer contributions are required to be paid. The TCRS may intercept Roane 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.

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

Pension Liabilities. The measurement date is June 30, 2015, which is prior to the onset of the Public Employee Retirement Plan. Consequently, there is not any net pension liability at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2015, Roane County did not recognize any pension expense at June 30, 2016.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Contributions Subsequent to the Measurement Date of June 30, 2015 (1) | \$ 22,697 | N/A |
| Total | \$ 22,697 | \$ 0 |

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2015," will be recognized as a reduction to net pension liability in the year ending June 30, 2017.

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

| | Deferred Outflows of Resources |
|--------------------|--------------------------------------|
| Primary Government | \$ 17,049 |
| School Department | <u>5,648</u> |
| Total | <u>\$ 22,697</u> |

Public Employee Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Employees of Roane County and non-certified employees of the discretely presented Roane County School Department with membership in the TCRS before October 1, 2015, are provided with pensions through the Public Employee Legacy Pension Plan, an agent multiple-employer pension plan administered by the TCRS. The Public Employee Legacy Pension Plan closed to new membership on September 30, 2015, but will continue providing benefits to existing members and retirees. Beginning October 1, 2015, the Public Employee Pension Plan became effective for employees of Roane County and non-certified employees of the School Department hired after October 1, 2015. The primary government employees comprised 58.32 percent and the non-certified employees of the discretely presented School Department comprised 41.68 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

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 | 323 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 499 |
| Active Employees | 588 |
| Total | <u><u>1,410</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 contribute five percent of their salary. Roane 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 Actuarial Determined Contribution (ADC) for Roane County was \$1,444,357 based on a rate of 8.45 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Roane 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)

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

Changes in the Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|---|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance, July 1, 2014 | \$ 48,485,514 | \$ 51,746,042 | \$ (3,260,528) |
| Changes for the year: | | | |
| Service Cost | \$ 1,452,317 | \$ 0 | \$ 1,452,317 |
| Interest | 3,669,310 | 0 | 3,669,310 |
| Differences Between Expected and Actual Experience | (688,903) | 0 | (688,903) |
| Contributions-Employer | 0 | 1,444,357 | (1,444,357) |
| Contributions-Employees | 0 | 867,965 | (867,965) |
| Net Investment Income | 0 | 1,596,148 | (1,596,148) |
| Benefit Payments, Including Refunds of Employee Contributions | (2,027,403) | (2,027,403) | 0 |
| Administrative Expense | 0 | (30,371) | 30,371 |
| Other Changes | 0 | 0 | 0 |
| Net Changes | <u>\$ 2,405,321</u> | <u>\$ 1,850,696</u> | <u>\$ 554,625</u> |
| Balance, June 30, 2015 | <u>\$ 50,890,835</u> | <u>\$ 53,596,738</u> | <u>\$ (2,705,903)</u> |

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

| | | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|--------------------|--------|-------------------------------|--------------------------------------|--|
| Primary Government | 58.32% | \$ 29,679,535 | \$ 31,257,618 | \$ (1,578,083) |
| School Department | 41.68% | <u>21,211,300</u> | <u>22,339,120</u> | <u>(1,127,820)</u> |
| Total | | <u>\$ 50,890,835</u> | <u>\$ 53,596,738</u> | <u>\$ (2,705,903)</u> |

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

| Roane County | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|--------------|------------------------|-------------------------------------|------------------------|
|--------------|------------------------|-------------------------------------|------------------------|

Net Pension Liability \$ 3,788,620 \$ (2,705,903) \$ (8,093,977)

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

Negative Pension Expense. For the year ended June 30, 2016, Roane County recognized negative pension expense of \$97,914.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference Between Expected and Actual Experience | \$ 0 | \$ 583,701 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 1,835,481 | 2,405,032 |
| Contributions Subsequent to the Measurement Date of June 30, 2015 (1) | 1,408,870 | N/A |
| Total | \$ 3,244,351 | \$ 2,988,733 |

- (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 | 58.32% | \$ 1,875,056 | \$ 1,743,029 |
| School Department | 41.68% | 1,369,295 | 1,245,704 |
| Total | | \$ 3,244,351 | \$ 2,988,733 |

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 | \$ (491,448) |
| 2018 | (491,448) |
| 2019 | (491,448) |
| 2020 | 321,089 |
| 2021 | 0 |
| Thereafter | 0 |

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

Discretely Presented Roane County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Roane County and non-certified employees of the discretely presented Roane County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 58.32 percent and the non-certified employees of the discretely presented School Department comprise 41.68 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

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 \$71,763, 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 Roane County School Department reported an asset of \$19,362 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 Roane County School Department's proportion of the net pension asset was based on the Roane 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 Roane County School Department's proportion was .481281 percent.

Pension Expense. For the year ended June 30, 2016, the Roane County School Department recognized pension expense of \$25,374.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference Between Expected and Actual Experience | \$ 0 | \$ 6,302 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 1,565 | 0 |
| LEA's Contributions Subsequent to the Measurement Date of June 30, 2015 | 71,763 | N/A |
| Total | \$ 73,328 | \$ 6,302 |

The Roane County School Department's employer contributions of \$71,763, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 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 | \$ (134) |
| 2018 | (134) |
| 2019 | (134) |
| 2020 | (134) |
| 2021 | (525) |
| Thereafter | (3,676) |

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:

| <u>Asset Class</u> | <u>Percentage Long-term Expected Real Rate of Return</u> | <u>Percentage Target Allocations</u> |
|---|--|--|
| U.S. Equity Developed Market | 6.46 | 33 |
| International Equity Emerging Market | 6.26 | 17 |
| 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 | | <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 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 Roane 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 Roane 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 | \$ 3,433 | \$ (19,362) | \$ (36,080) |

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 Roane 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.

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 Roane County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were \$2,281,029, 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 Roane County School Department reported a liability of \$284,911 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 Roane County School Department's proportion of the net pension liability (asset) was based on the Roane 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 Roane County School Department's proportion was .695522 percent. The proportion measured at June 30, 2014, was .699644 percent.

Negative Pension Expense. For the year ended June 30, 2016, the Roane County School Department recognized negative pension expense of \$276,608.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Roane 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 | \$ 228,653 | \$ 4,434,658 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 5,144,573 | 6,984,038 |
| Changes in Proportion of Net Pension Liability (Asset) | 0 | 180,363 |
| LEA's Contributions Subsequent to the Measurement Date of June 30, 2015 | 2,281,029 | N/A |
| Total | \$ 7,654,255 | \$ 11,599,059 |

The Roane County School Department's employer contributions of \$2,281,029 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 | \$ (1,919,143) |
| 2018 | (1,919,143) |
| 2019 | (1,919,143) |
| 2020 | 408,870 |
| 2021 | (877,274) |
| 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 adjustments 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 Real Estate | 4.61 | 8 |
| Short-term Securities | 0.98 | 29 |
| | 4.73 | 7 |
| | 0.00 | 1 |
| Total | | 100 % |

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

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

| School Department's Proportionate Share of the Net Pension Liability (Asset) | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|---|------------------------|-------------------------------------|------------------------|
|---|------------------------|-------------------------------------|------------------------|

Net Pension Liability \$ 19,424,167 \$ 284,911 \$ (15,560,138)

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

2. Deferred Compensation

Roane County offers its employees two deferred compensation plans, one established pursuant to IRC Section 401(k) and the other pursuant to IRC 403(b). All costs of administering and funding these programs are the responsibility of the plan participants. The Section 401(k) and Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Sections 401(k) and 403(b) establish participation, contribution, and withdrawal provisions for the plans.

In addition, certain employees of the primary government and the discretely presented School Department are required to participate in hybrid pension plans administered by the Tennessee Consolidated Retirement System. The county and School Department contribute five percent of employee salaries into deferred compensation accounts managed by the hybrid plans pursuant to IRC Section 401(k). Additional contributions by employees are optional. These hybrid plans apply to teachers employed by the discretely presented School Department hired after June 30, 2014, employees of the primary government hired after September 30, 2015, and non-certified employees of the discretely presented School Department hired after September 30, 2015. These Section 401(k) plan assets remain the property of the participating employees and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participating contribution, and withdrawal provisions for the plans. During the year, the primary government contributed \$21,527 to the 401(k) portion of the plan on-behalf of plan participants. The School Department contributed \$7,068 on behalf of non-certified employees and \$89,709 on behalf of teachers to the 401(k) portion of the hybrid pension plans.

I. Other Postemployment Benefits (OPEB)

Plan Description

Roane County and the School Department participate in the state-administered Local Education Group Insurance Plan and Local Government Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees and Section 8-27-207, *TCA*, for local governments. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.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 plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. County retirees have the opportunity to maintain the same level of medical benefits they had as an active employee with the county paying the same share as active employees until they reach age 65. During the year ended June 30, 2016, Roane County contributed \$107,861 for postemployment benefits. The required contribution rate for retired teachers ranges from 20 to 46 percent based on classification and years of service. During the year ended June 30, 2016, the discretely presented School Department contributed \$726,290 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

| | Local Government Group Plan | Local Education Group Plan |
|------------------------------|--------------------------------------|-------------------------------------|
| ARC | \$ 611,000 | \$ 1,290,000 |
| Interest on the NOPEBO | 181,759 | 257,084 |
| Adjustment to the ARC | (182,489) | (258,116) |
| Annual OPEB cost | \$ 610,270 | \$ 1,288,968 |
| Amount of contribution | (107,861) | (726,290) |
| Increase/decrease in NOPEBO | \$ 502,409 | \$ 562,678 |
| Net OPEB obligation, 7-1-15 | 4,846,900 | 6,855,584 |
| Net OPEB obligation, 6-30-16 | \$ 5,349,309 | \$ 7,418,262 |

| Fiscal Year Ended | Plans | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|-------------------------|------------------------|------------------------|---|---------------------------------------|
| 6-30-14 | Local Government Group | \$ 555,009 | 13 % | \$ 4,374,667 |
| 6-30-15 | " | 575,507 | 18 | 4,846,900 |
| 6-30-16 | " | 610,270 | 18 | 5,349,309 |
| 6-30-14 | Local Education Group | 1,190,175 | 66 | 6,402,898 |
| 6-30-15 | " | 1,231,597 | 63 | 6,855,584 |
| 6-30-16 | " | 1,288,968 | 56 | 7,418,262 |

Funded Status and Funding Progress

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

| | Local Government Group Plan | Local Education Group Plan |
|---|--------------------------------------|-------------------------------------|
| Actuarial valuation date | 7-1-15 | 7-1-15 |
| Actuarial accrued liability (AAL) | \$ 4,197,000 | \$ 11,991,000 |
| Actuarial value of plan assets | \$ 0 | \$ 0 |
| Unfunded actuarial accrued liability (UAAL) | \$ 4,197,000 | \$ 11,991,000 |
| Actuarial value of assets as a % of the AAL | 0% | 0% |
| Covered payroll (active plan members) | \$ 8,616,195 | \$ 32,030,236 |
| UAAL as a % of covered payroll | 49% | 37% |

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation for the Local Government Plan and Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in fiscal year 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.

J. Office of Central Accounting

Roane County operates under provisions of the Fiscal Control Acts of 1957. These acts provide for a central system of accounting, budgeting, and purchasing covering all funds administered by the county executive, road superintendent, and director of schools. These funds are maintained in the Office of Central Accounting, Budgeting, and Purchasing under the supervision of the director of accounts and budgets.

K. Purchasing Laws

Purchasing procedures for the Offices of County Executive and Road Superintendent are governed by the County Purchasing Law of 1957, Section 5-14-101, et seq., *Tennessee Code Annotated (TCA)*. Purchasing procedures for the Road Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, *TCA*. These acts provide for a purchasing agent and require competitive bids on all purchases exceeding \$10,000.

Chapter 477, Private Acts of 1933, and the County Purchasing Law of 1957 provide for School Department purchases to be made by the purchasing agent and for bids to be solicited on purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

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

| | <u>2014</u> | <u>2015</u> |
|--|---------------------------|---------------------------|
| Total Pension Liability | | |
| Service Cost | \$ 1,432,976 | \$ 1,452,317 |
| Interest | 3,457,408 | 3,669,310 |
| Changes in Benefit Terms | 0 | 0 |
| Differences Between Actual and Expected Experience | (54,297) | (688,903) |
| Changes in Assumptions | 0 | 0 |
| Benefit Payments, Including Refunds of Employee Contributions | <u>(2,032,756)</u> | <u>(2,027,403)</u> |
| Net Change in Total Pension Liability | \$ 2,803,331 | \$ 2,405,321 |
| Total Pension Liability, Beginning | <u>45,682,183</u> | <u>48,485,514</u> |
| Total Pension Liability, Ending (a) | <u>\$ 48,485,514</u> | <u>\$ 50,890,835</u> |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | \$ 1,569,912 | \$ 1,444,357 |
| Contributions - Employee | 858,839 | 867,965 |
| Net Investment Income | 7,325,925 | 1,596,148 |
| Benefit Payments, Including Refunds of Employee Contributions | (2,032,756) | (2,027,403) |
| Administrative Expense | <u>(23,410)</u> | <u>(30,371)</u> |
| Net Change in Plan Fiduciary Net Position | \$ 7,698,510 | \$ 1,850,696 |
| Plan Fiduciary Net Position, Beginning | <u>44,047,532</u> | <u>51,746,042</u> |
| Plan Fiduciary Net Position, Ending (b) | <u>\$ 51,746,042</u> | <u>\$ 53,596,738</u> |
| Net Pension Liability (Asset), Ending (a - b) | <u>\$ (3,260,528)</u> | <u>\$ (2,705,903)</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 106.72% | 105.32% |
| Covered Payroll | \$ 17,176,207 | \$ 17,092,984 |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | (18.98)% | (15.83)% |

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

Roane 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

| | <u>2016</u> |
|---|-----------------|
| Actuarially Determined Contribution | \$ 22,697 |
| Less Contributions in Relation to the Actuarially Determined Contribution | <u>(22,697)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> |
| | |
| Covered Payroll | \$ 567,425 |
| | |
| Contributions as a Percentage of Covered Payroll | 4.00% |

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

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

| | 2014 | 2015 | 2016 |
|----|-------------|---------------|---------------|
| \$ | 1,569,912 | \$ 1,444,357 | \$ 1,408,870 |
| | (1,569,912) | (1,444,357) | (1,408,870) |
| \$ | 0 | \$ 0 | 0 |
| \$ | 17,176,207 | \$ 17,092,984 | \$ 16,668,000 |
| | 9.14% | 8.45% | 8.45% |

Actuarially Determined Contribution
Less Contributions in Relation to the Actuarially Determined Contribution
Contribution Deficiency (Excess)

Covered Payroll

Contributions as a Percentage of Covered Payroll

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-4

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

| | <u>2015</u> | <u>2016</u> |
|---|--------------------|--------------------|
| Contractually Required Contribution | \$ 24,999 | \$ 44,852 |
| Less Contributions in Relation to the Contractually Required Contribution | (39,999) | (71,763) |
| Contribution Deficiency (Excess) | <u>\$ (15,000)</u> | <u>\$ (26,911)</u> |
| | | |
| Covered Payroll | \$ 999,964 | \$ 1,794,075 |
| | | |
| Contributions as a Percentage of Covered Payroll | 4.00% | 4.00% |

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

Exhibit F-5

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

| | 2014 | 2015 | 2016 |
|----|-------------|---------------|---------------|
| \$ | 2,438,536 | \$ 2,353,733 | \$ 2,281,029 |
| | (2,438,536) | (2,353,733) | (2,281,029) |
| \$ | 0 | \$ 0 | \$ 0 |
| \$ | 27,460,985 | \$ 26,036,905 | \$ 25,232,622 |
| | 8.88% | 9.04% | 9.04% |

Contractually Required Contribution
Less Contributions in Relation to the Contractually Required Contribution
Contribution Deficiency (Excess)

Covered Employee Payroll

Contributions as a Percentage of Covered Employee Payroll

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

Exhibit F-6

Roane County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Pension Plan of TCRS
Discretely Presented Roane County School Department
For the Fiscal Year Ended June 30 2016

| | <u>2016</u> |
|---|-------------|
| School Department's Proportion of the Net Pension Liability (Asset) | 0.481281% |
| School Department's Proportionate Share of the Net Pension Liability (Asset) | \$ (19,362) |
| Covered Payroll | \$ 999,964 |
| 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-7

Roane County, Tennessee
Schedule of Proportionate Share of the Net Pension Liability (Asset)
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Roane County School Department
For the Fiscal Year Ended June 30 2016

| | 2015 | 2016 |
|---|---------------|---------------|
| School Department's Proportion of the Net Pension Liability (Asset) | 0.699644% | 0.695522% |
| School Department's Proportionate Share of the Net Pension Liability (Asset) | \$ (113,689) | \$ 284,911 |
| Covered Payroll | \$ 27,460,985 | \$ 26,036,905 |
| School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | (0.41)% | 1.09% |
| 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-8

Roane County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Roane 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) |
|--|--------------------------|-------------------------------|-------------------------------------|-----------------------------|--------------------|---------------------|---|
| <u>PRIMARY GOVERNMENT</u> | | | | | | | |
| Local Government Group | 7-1-11 | \$ 0 | 4,950 | \$ 4,950 | 0 % | \$ 9,669 | 51.19 % |
| " | 7-1-13 | 0 | 3,648 | 3,648 | 0 | 8,614 | 42.35 |
| " | 7-1-15 | 0 | 4,197 | 4,197 | 0 | 8,616 | 48.71 |
| <u>DISCRETELY PRESENTED ROANE COUNTY SCHOOL DEPARTMENT</u> | | | | | | | |
| Local Education Group | 7-1-11 | 0 | 14,355 | 14,355 | 0 | 33,570 | 42.76 |
| " | 7-1-13 | 0 | 11,225 | 11,225 | 0 | 34,859 | 32.20 |
| " | 7-1-15 | 0 | 11,991 | 11,991 | 0 | 32,030 | 37.44 |

**ROANE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016**

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Frozen Initial Liability |
| Amortization Method | Level Dollar, Closed (Not to Exceed 20 Years) |
| Remaining Amortization Period | 2 Years |
| Asset Valuation | 10-Year Smoothed Within a 20% Corridor to Market Value |
| 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 Investment Expense, Including Inflation |
| Retirement Age | Pattern of Retirement Determined by Experience Study |
| Mortality | Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement |
| Cost of Living Adjustment | 2.5% |

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>.