NEW ISSUE Rating: S&P – "AA-"
Book-Entry-Only (See "MISCELLANEOUS-Rating")

OFFICIAL STATEMENT

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Notes 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. For an explanation of certain tax consequences under federal law which may result from the ownership of the Notes, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Notes and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee excise and franchise tax. (See "LEGAL MATTERS -Tax Matters" herein.)

$2,800,000
SMITH COUNTY, TENNESSEE
General Obligation Capital Outlay Notes, Series 2018

Dated: May 4, 2018. Due: May 1 (as shown below)

The $2,800,000 General Obligation Capital Outlay Notes, Series 2018 (the "Notes") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Notes 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 Notes. So long as Cede & Co. is the registered owner of the Notes, as the nominee for DTC, principal and interest with respect to the Notes 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 Notes. Individual purchases of the Notes 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 Notes is payable semi-annually from the date thereof commencing on November 1, 2018 and thereafter on each May 1 and November 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Notes are payable at the designated corporate trust office of the Registration Agent.

The Notes 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 Notes, the full faith and credit of the County are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

The Notes maturing on or after May 1, 2024 are subject to optional redemption prior to maturity on or after May 1, 2023 as described herein.

Due (May 1)	Amount	Interest Rate	Yield		CUSIP**	Due (May 1)	Amount	Interest Rate	Yield		CUSIP**
2019	$ 205,000	3.00%	1.70%		832016 GK9	2025	$ 235,000	3.00%	2.30%	c	832016 GR4
2020	210,000	3.00	1.85		832016 GL7	2026	240,000	3.00	2.40	c	832016 GS2
2021	215,000	3.00	2.00		832016 GM5	2027	245,000	3.00	2.50	c	832016 GT0
2022	220,000	3.00	2.10		832016 GN3	2028	250,000	3.00	2.60	c	832016 GU7
2023	225,000	3.00	2.20		832016 GP8	2029	260,000	3.00	2.75	c	832016 GV5
2024	230,000	3.00	2.25	c	832016 GQ6	2030	265,000	3.00	2.90	c	832016 GW3

c = yield to call on May 1, 2023.

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

The Notes 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 Notes. Certain legal matters will be passed upon from the County by Branden Bellar, Esq., counsel to the County. It is expected that the Notes will be available for delivery through the facilities of DTC New York, New York, on or about May 4, 2018.

Cumberland Securities Company, Inc.
Municipal Advisor

April 12, 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 Notes, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Notes. 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 Notes are qualified in their entirety to the forms thereof included in the Note Resolution.

The Notes 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 Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

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

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

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Note 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 Notes or as indicated herein.

SMITH COUNTY, TENNESSEE

OFFICIALS

County Mayor	Michael F. Nesbitt
County Clerk	Clifa L. Norris
Assessor of Property	Terry Collins
County Trustee	Lee Ann Williams
Director of Accounts & Budgets	Daisy Denton
County Attorney	Branden Bellar

BOARD OF COUNTY COMMISSIONERS

Tommy Bane	Matthew Inyart
Billy Bass	Mark Jones
Pam Billington	Barbara Kannapel
Carolyn Boles	Charles Kent
Ronald Cowan	Shannon Minchey
Daniel Cripps	Joseph Nixon
Phillip Enoch	Linda Nixon
Thomas Gibbs	Glen Reece
Randy Glover	Andy Rutherford
David Gross	James Winfree
Dennis Hackett	Billy Woodard
Billy Halliburton	Frank Woodard

UNDERWRITER

Robert W. Baird & Co., Incorporated
Milwaukee, Wisconsin

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

SUMMARY STATEMENT

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

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

Securities Offered.......................... $2,800,000 General Obligation Capital Outlay Notes, Series 2018 (the "Notes") of the County, dated the date of delivery May 4, 2018. The Notes will mature each May 1 beginning May 1, 2019 through May 1, 2030, inclusive. See the section herein entitled "SECURITIES OFFERED – Authority and Purpose".

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

Purpose .... The Notes are being issued for the purposes of providing funds to finance: (i) acquisition of land for and/or the acquisition, construction, improvement, repair, renovation, maintenance and equipping of the County's garbage disposal facilities (ii) acquisition of all property, real and personal, appurtenant to the foregoing; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing (collectively, the "Projects"); (viii) reimbursement for funds previously expended for costs of the Projects, if applicable, and (iv) payment of costs incident to the issuance and sale of the notes.

Optional Redemption .... The Notes are subject to optional redemption prior to maturity on or after May 1, 2023, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".

Tax Matters.................................. In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Notes 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. For an explanation of certain tax consequences under federal law which may result from the ownership of the Notes, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Notes 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 Notes 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.

Underwriter................................... Robert W. Baird & Co., Incorporated, Milwaukee, Wisconsin.

Municipal Advisor......................... Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS-Municipal Advisor; Related Parties; Other", herein.

Bond Counsel .... Bass, Berry & Sims PLC, Knoxville, Tennessee.

Book-Entry-Only	The Notes will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry-Only System"
Registration Agent	Regions Bank, Nashville, Tennessee.
General	The Notes 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 Notes will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID") established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled "MISCELLANEOUS - Continuing Disclosure" for additional information.
Other Information	The information in the *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County or this *Official Statement* contact Michael Nesbitt, County Mayor, 122 Turner High Circle, Carthage, Tennessee 37030, Telephone: (615) 735-2294, or the County's Municipal Advisor, Cumberland Securities Company, Inc., P.O. Box 24508 Knoxville, Tennessee 37933, Telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances

	2013	**2014**	**2015**	**2016**	**2017**
Beginning Fund Balance	$1,125,864	$1,126,515	$887,871	$1,141,780	$1,379,892
Revenues	8,314,600	8,438,814	9,466,184	10,470,684	10,705,627
Expenditures	9,023,412	9,042,052	8,956,291	10,083,204	10,730,665
Excess (Deficiency) of Revenues Over Expenditures					
Debt Proceeds	774,907	364,036	-	-	-
Notes Proceeds	-	-	92,000	277,687	522,503
Insurance Recovery	20,992	558	8,469	14,145	5,501
Transfers In	24,677	-	84,747	-	-
Transfers Out	(111,113)	-	(441,200)	(441,200)	(441,200)
Ending Fund Balance	**$1,126,515**	**$887,871**	**$1,141,780**	**$1,379,892**	**$1,441,658**

Source: Comprehensive Annual Financial Reports of the County.

$2,800,000
SMITH COUNTY, TENNESSEE
General Obligation Capital Outlay Notes, Series 2018

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Smith County, Tennessee (the "County" or "Issuer") of $2,800,000 General Obligation Capital Outlay Notes, Series 2018 (the "Notes").

The Notes are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the note resolution (the "Resolution") duly adopted by the County Commission of the County on March 12, 2018.

The Notes are being issued for the purposes of providing funds to finance: (i) acquisition of land for and/or the acquisition, construction, improvement, repair, renovation, maintenance and equipping of the County's garbage disposal facilities; (ii) acquisition of all property, real and personal, appurtenant to the foregoing; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing (collectively, the "Projects"); (viii) reimbursement for funds previously expended for costs of the Projects, if applicable, and (iv) payment of costs incident to the issuance and sale of the notes.

DESCRIPTION OF THE NOTES

The Notes will be dated and bear interest from their date of issuance and delivery of May 4, 2018. Interest on the Notes will be payable semi-annually on May 1 and November 1, commencing November 1, 2018. The Notes 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 Notes shall be signed by the County Mayor and shall be attested by the County Clerk. No Note 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.

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SECURITY

The Notes 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 Notes, 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 Notes when due. Principal and interest on the Notes 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 Notes.

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

OPTIONAL REDEMPTION

The Notes maturing May 1, 2024 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2023 in whole or in art at any time at a redemption price of par plus accrued interest.

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

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

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

NOTICE OF REDEMPTION

Notice of call for redemption 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 Notes to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Note 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 Notes for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Notes, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Notes, 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 Municipality (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 Notes 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 Municipality 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 Noteholders that the redemption did not occur and that the Notes called for redemption and not so paid remain outstanding.

PAYMENT OF NOTES

The Notes 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 Note shall be paid by check or draft of the Note Registrar to the person in whose name such Note 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 Notes shall be payable in lawful money of the United States of America at the principal corporate trust office of the Note Registrar.

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

So long as Cede & Co. is the Registered Owner of the Notes, as nominee of DTC, references herein to the Noteholders, Holders or Registered Owners of the Notes shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes. 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 Notes 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 Notes, and all such payments shall discharge the obligations of the Issuer in respect of such Notes to the extent of the payments so made, except as described above. Payment of principal of the Notes shall be made upon presentation and surrender of such Notes to the Registration Agent as the same shall become due and payable.

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

The Notes, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Notes 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 Notes 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes 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 Notes 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 Notes, except in the event that use of the book-entry-only system for the Notes is discontinued.

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

Redemption notices shall be sent to DTC. If less than all of the Notes 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 Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

Transfers of Notes. To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Note 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 Notes or (ii) to the extent permitted by the rules of DTC, the County determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the County will attempt to locate another qualified securities depository, and if no qualified securities depository is available, bond certificates will be printed and delivered to beneficial owners.

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

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

DISPOSITION OF NOTE PROCEEDS

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

(a) all accrued interest, if any, shall be deposited to the appropriate fund of the County to be used to pay interest on the Notes on the first interest payment date following delivery of the Notes; and

(b) the remainder of the proceeds of the sale of the Notes shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund to be known as the 2018 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the County. The County shall disburse funds in the Construction Fund to pay costs of issuance of the Notes, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Notes. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Project. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by the Resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be paid to the County Trustee and shall be used to pay principal of and interest on the Notes. Moneys in the Construction Fund shall be invested at the direction of the County Trustee in such investments as shall be permitted by applicable law.

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DISCHARGE AND SATISFACTION OF NOTES

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

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

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

(c) By delivering such Notes 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 Notes, 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 Notes when due, then and in that case the indebtedness evidenced by such Notes shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Notes 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 Notes in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Notes; 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 Notes on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the

County, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which notes 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 NOTEHOLDERS

Under Tennessee law, any Noteholder 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 noteholder.

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LEGAL MATTERS

LITIGATION

There are no claims against the County, including claims in litigation, which, in the opinion of the County, would materially affect the County's financial position as it relates to its ability to make payments on the Notes. There are no suits threatened or pending challenging the legality or validity of the Notes or the right of the County to sell or issue the Notes.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Notes. 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 Notes:

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

The Code, imposes requirements on the Notes that the County must continue to meet after the Notes are issued. These requirements generally involve the way that note proceeds must be invested and ultimately used. If the County does not meet these requirements, it is possible that a noteholder may have to include interest on the Notes 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 noteholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Notes. This is possible if a Noteholder 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 Notes.

If a noteholder 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 Notes or affect the market price of the Notes. See also the section below "CHANGES IN FEDERAL AND STATE LAW" below.

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

Note Premium. If a noteholder purchases a Note for a price that is more than the principal amount, generally the excess is "note premium" on that Note. The tax accounting treatment of bond note premium is complex. It is amortized over time and as it is amortized a noteholder's tax basis in that Note will be reduced. The holder of a Note 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 Notes. A noteholder in certain circumstances may realize a taxable gain upon the sale of a Note with note premium, even though the Note is sold for an amount less than or equal to the owner's original cost. If a noteholder owns any Notes with note premium, it should consult its tax advisor regarding the tax accounting treatment of note premium.

Original Issue Discount. A Note will have "original issue discount" if the price paid by the original purchaser of such Note is less than the principal amount of such Note. Bond Counsel's opinion is that any original issue discount on these Notes as it accrues is excluded from a noteholder'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 noteholder's tax basis in these Notes will be increased. If a noteholder owns one of these Notes, 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 Notes, Bond Counsel has determined that the Notes 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 Notes. 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 Note 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 Notes 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 Notes 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 Notes during the period the Notes 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 Notes 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 Notes or otherwise prevent holders of the Notes from realizing the full benefit of the tax exemption of interest on the Notes. Further, such proposals may impact the marketability or market value of the Notes 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 notes 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 Notes. 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 Notes would be impacted thereby. Purchasers of the Notes 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 Notes, 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 Notes should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Notes, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement,* in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Notes, or contesting the validity of the Notes or any proceeding taken pursuant to which the Notes were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Notes; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Notes; 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 Notes 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 Notes and to the tax-exemption of interest on the Notes under present federal income tax laws, both as described above. The legal opinion will be delivered with the Notes 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 Notes the rating of "AA-".

There is no assurance that such ratings will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Notes, 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 Notes. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Notes.

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

COMPETITIVE PUBLIC SALE

The Notes were offered for sale at competitive public bidding on April 12, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 3, 2018.

The successful bidder for the Notes was an account led by Robert W. Baird & Co., Incorporated, Milwaukee, Wisconsin (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 Notes at a purchase price of $2,850,757.00 (consisting of the par amount of the Bonds, plus original issue premium of $66,673.25 less an underwriter's discount of $15,916.25) or 101.813% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the County and may do so again in the future.

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

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ADDITIONAL DEBT

The County has authorized the issuance of a $3,000,000 Energy Efficient School Initiative Loan (EESI) from the State of Tennessee for school improvements and has approved up to $1,000,000 for the purchase of industrial park land. Additionally, the County has ongoing needs that may or may not require the issuance of debt.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of notes that may be issued when the County uses the statutory authority granted therein to issue notes. (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 Notes are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Notes to provide certain financial information and operating data relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2018 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The 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"). The District is in compliance with the undertakings required under the Rule.

Five-Year History of Filing. Prior to the issuance of the County's General Obligation Refunding Bonds, Series 2015A, dated March 31, 2015 (the "Series 2015A Bonds"), the County had not filed any Annual Reports or disclosure information, as required under its formerly outstanding Continuing Disclosure Agreement that was entered into in connection with the issuance of the General Obligation School Refunding Bonds, Series 2005, dated January 1, 2005 (the "Series 2005 Bonds") and had failed to file notice of such failure to file. Therefore, on

February 6, 2015, in connection with the issuance of the Series 2015A Bonds, the County instructed Cumberland Securities Company, Inc. to file the last five years of audited financial statements and the additional required financial information for the fiscal year ended June 30, 2014. On April 1, 2015, the Series 2005 Bonds were redeemed, and the related Continuing Disclosure Agreement was no longer in effect. The County on March 31, 2015, issued the Series 2015A Bonds and entered into a new Continuing Disclosure Agreement and retained Cumberland Securities Company, Inc. as its Dissemination Agent to file its required information going forward on an annual basis.

Thereafter, the County has made all filings required by its Continuing Disclosure Agreements in a timely manner except the required information for the County's fiscal year ending June 30, 2015 was filed 21 days late on July 21, 2016. However, the County's audited financial statements for that fiscal year were filed on time, on February 19, 2016.

Between the issuance of the Series 2005 Bonds and the issuance of the Series 2015A Bonds, the County did not issue any public debt and therefore did not make any disclosures to the market with respect to its compliance with its continuing disclosure obligations until the issuance of the Series 2015A Bonds, at which time the foregoing was disclosed.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-7;

2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-8 and B-9;

3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as shown on pages B-10;

4. Information about the Bonded Debt Service Requirements – Courthouse and Jail Maintenance as of the end of such fiscal year as shown on pages B-11;

5. Information about the Bonded Debt Service Requirements – Education Debt Service as of the end of such fiscal year as shown on pages B-12;

6. Information about the Bonded Debt Service Requirements – Solid Waste as of the end of such fiscal year as shown on pages B-13;

7. Information about the Bonded Debt Service Requirements – Highway as of the end of such fiscal year as shown on pages B-14;

8. The fund balances and retained earnings for the fiscal year as shown on page B-15;

9. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-16;

10. 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-22;

8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-22; and

9. The ten largest taxpayers as shown on page B-23.

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 Notes or other material events affecting the tax status of the Notes;

g. Modifications to rights of Noteholders, if material;

h. Note 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 Notes.

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 Notes, 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 Notes, 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 Notes.

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 Noteholder, 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 Notes.

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 Notes, the security for the payment of the Notes, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Notes, is not to be construed as a contract or agreement between the County and the purchasers of any of the Notes. 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(b).

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CERTIFICATION OF ISSUER

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

/s/ Michael Nesbitt
County Mayor

ATTEST:

/s/ Clifa Norris
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 Smith County, Tennessee (the "Issuer") of the $2,800,000 General Obligation Capital Outlay Notes, Series 2018 (the "Notes") dated May 4, 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 Notes have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of Mayor and County Commissioners of the Issuer authorizing the Notes 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 Notes 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 Notes are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer.

4. Interest on the Notes 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 Notes 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 Notes to be so included in gross income retroactive to the date of issuance of the Notes. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding the federal tax consequences arising with respect to the Notes.

5. Under existing law, the Notes 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 Notes during the period such Notes 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 Notes 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 Notes 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 Notes and the enforceability of the Notes and the resolutions authorizing the Notes 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 Notes.

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

Smith County (the "County") lies along the western foothills of the Cumberland Mountains in the central portion of the State of Tennessee. The City of Carthage (the "City") serves as the county seat. The County is bordered to the north by Trousdale, Macon and Jackson Counties. Putnam County provides the County's eastern border, while Dekalb County makes up the County's southern border. To the west, the County is bordered by Wilson County. The City is located 49 miles southeast of Nashville. The other incorporated cities in the County include Gordonsville and South Carthage. The population according to the 2010 U.S. Census for the County was 19,166 and for the City the Census was 2,306.

GENERAL

Approximate land area of the County measures 314 square miles. Leading crops include hay, soybeans, corn and tobacco.

The County is part of the Nashville-Murfreesboro-Franklin Metropolitan Statistical Area (the "MSA"), which includes Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson and Wilson Counties. According to the 2010 US Census the MSA had a population of 1,674,191.

The County is also part of the Nashville-Murfreesboro Combined Statistical Area (the "CSA") which includes Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson and Wilson Counties. According to the 2010 Census, the CSA had a population of 1,674,191. The City of Nashville, the State Capital, is the largest city in the CSA with a population of 626,681 according to the 2010 Census.

TRANSPORTATION

Transportation for the County is provided by a variety of sources. The County is served by Interstate 40, U.S. Highways 70N and 141, and State Highways 25, 53, 80, 85, 263, and 264. One motor freight carrier maintains routes throughout the County. Nashville and Eastern Railroad provide the County's rail services. The nearest port facility is 50 miles away in Nashville on the Cumberland River. Private air service is provided by the Lebanon Municipal Airport about 22 miles away which has a 5,000-foot runway. The closest full-service commercial airport is located 49 miles away at the Nashville International Airport.

EDUCATION

The *Smith County School System* serves the County with nine total schools, which include six elementary schools, one middle school and two high schools. The fall 2016 enrollment was 3,129 students with 205 teachers.

Source: Tennessee Department of Education.

Volunteer State Community College is a public two-year community college in Gallatin, Tennessee, serving a twelve-county region including the counties of Clay, Jackson, Macon, Overton, Pickett, Putnam, Robertson, Smith, Sumner, Trousdale and Wilson. Fall 2016 enrollment was 8,686. Off-Campus operations include two Degree-Granting Centers, five major teaching sites, high-school dual enrollment sites and various allied health and business sites in Davidson, Macon, Robertson, Overton and Wilson Counties.

Source: Volunteer State Community College.

The Tennessee Technology Center at Hartsville. The Tennessee Technology Center at Hartsville 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 Hartsville serves the north central region of the state including Trousdale, Macon, Smith and Sumner Counties. The Technology Center at Hartsville began operations in 1965, and the 20-acre main campus is located in Trousdale County. Fall 2015 enrollment was 1,023 students. There are also Instructional Service Centers located at the Trousdale County High School and Gallatin Housing Authority (SumHar Rose Learning Center).

Source: Tennessee Technology Center at Hartsville.

MEDICAL FACILITIES

Riverview Regional Medical Center. Riverview Regional Medical Center (the "RRMC"), a 63-bed, acute care facility, and Riverview Regional Medical Center South, a 25-bed critical access hospital campus, provide general medical and surgical care, 24-hour emergency services, skilled nursing, psychiatric services and geriatric care to residents of Smith and surrounding counties. RRMC, accredited by The Joint Commission, has had a strong tradition of supporting its surrounding communities through the development and promotion and health awareness and by delivering high quality, cost-effective healthcare services. Formerly Carthage General Hospital, the hospital was built in 1966 and HighPoint Health System acquired the hospital in 2004. More than 80 physicians and mid-level providers are on the RRMC medical staff.

The HighPoint Health System is comprised of four hospitals, including Sumner Regional Medical Center, the 155-bed flagship hospital located in Gallatin; Riverview Regional Medical Center - North, a 63-bed acute care hospital in Carthage; Livingston Regional Hospital, a 114-bed acute care facility in Livingston; and Trousdale Medical Center, a 25-bed critical access hospital in Hartsville. This system is part of LifePoint Hospital, Inc. based in Brentwood, Tennessee. LifePoint has a network of 71 hospital hospitals in 22 states, which includes six other hospitals in Tennessee: the Starr Regional Medical Center facilities in Athens and Etowah, and the Southern Tennessee Regional Health System facilities in Lawrenceburg, Pulaski, Sewanee and Winchester.

Source: Riverview Regional Medical Center.

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MANUFACTURING AND COMMERCE

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

Major Industrial Employers in Smith County

Company	Product	Employment
Bonnell Aluminum	Aluminum extrusion	519
Dana Driveshaft Products, LLC	Driveshaft supplier	272
Shiroki Manufacturing	Automotive supplier	210
Fabricated Tube Products	Metal tube fabrication	199
Graphic Packaging	Paper board packaging	156
Nyrstar Zinc Mine	Zinc mining	150
Rackley Roofing Co	Commercial roofing-sheet metal	80
Filtra Systems	Filtra equipment	58
Taiho TN, Mfg. LLC	Head gaskets	35
Tom Arnold Construction	State bid work	18
Eatherly Group, Inc.	Road-bridge construction	18
Crockett-Phillips Construction	Construction	10

Source: Middle Tennessee Industrial Development Association - 2017.

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EMPLOYMENT INFORMATION

For the month of December 2017, the unemployment rate for Smith County stood at 2.8% with 8,850 persons employed out of a labor force of 9,110.

The Nashville-Murfreesboro-Franklin MSA's unemployment for December 2017 was at 2.4% with 990,350 persons employed out of a labor force of 1,014,530. As of December 2017, the unemployment rate in the Nashville-Murfreesboro CSA stood at 2.4%, representing 1,042,890 persons employed out of a workforce of 1,068,870.

Unemployment

	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	8.2%	6.7%	5.8%	4.8%
Smith County	**7.5%**	**7.5%**	**6.3%**	**5.7%**	**4.6%**
Index vs. National	93	101	102	108	94
Index vs. State	94	91	94	98	96
Nashville – Murfreesboro MSA	**6.6%**	**6.5%**	**5.2%**	**4.6%**	**3.8%**
Index vs. National	81	88	84	87	78
Index vs. State	82	79	78	79	79
Nashville – Murfreesboro CSA	**6.7%**	**6.6%**	**5.4%**	**5.9%**	**3.9%**
Index vs. National	83	89	87	111	80
Index vs. State	84	80	81	102	81

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

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ECONOMIC DATA

Per Capita Personal Income

	2012	**2013**	**2014**	**2015**	**2016**
National	$44,282	$44,493	$46,494	$48,451	$49,246
Tennessee	$38,778	$38,814	$40,128	$42,128	$43,326
Smith County	**$31,678**	**$32,894**	**$33,731**	**$34,580**	**$34,653**
Index vs. National	72	74	73	71	70
Index vs. State	82	85	84	82	80
Nashville – Murfreesboro MSA	**$44,865**	**$44,916**	**$47,423**	**$50,747**	**$52,450**
Index vs. National	101	101	102	105	107
Index vs. State	116	116	118	120	121
Nashville – Murfreesboro CSA	**$43,919**	**$44,035**	**$46,453**	**$49,639**	**$51,270**
Index vs. National	99	99	100	102	104
Index vs. State	113	113	116	118	118

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

Social and Economic Characteristics

	National	**Tennessee**	**Smith County**
Median Value Owner Occupied Housing	$184,700	$146,000	$118,100
% High School Graduates or Higher Persons 25 Years Old and Older	87.0%	86.0%	82.7%
% Persons with Income Below Poverty Level	12.7%	15.8%	14.6%
Median Household Income	$55,322	$46,574	$44,272

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

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RECREATION

Cordell Hull Birthplace State Park. The Cordell Hull Birthplace and Museum is a historic site located in Jackson, Smith and Pickett Counties. The site is located on 45-acres on the Highland Rim near the Kentucky border. The site consists of a representation of Hull's log cabin birthplace, activities center and a museum housing documents and artifacts. Also on the park is beautiful Bunkum Cave Trail leading to an overlook and the actual entrance of historic Bunkum Cave where Cordell Hull's father made moonshine years ago. The collection includes his Nobel Peace Prize that is on display. Following nomination by Roosevelt, the Norwegian Nobel Committee presented the 1945 Nobel Prize for Peace to Hull in recognition of his work in the Western Hemispheres, for his international trade agreements, and for his efforts in establishing the United Nations.

Source: Tennessee State Parks.

Cordell Hull Lake. Cordell Hull Lake is located on the Cumberland River in Smith, Jackson, and Clay Counties of Tennessee. The 72-mile long lake has 381 miles of shoreline and contains 11,960 surface areas of water. Total storage capacity at maximum pool is 13,920 acres. Cordell Hull Lake has a total of 38,633 acres of land and water. Picnicking, camping, boating, and fishing are all popular activities on the Lake.

Source: US Army Corps of Engineers

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SMITH COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)	Estimated As of June 30, 2017 (1) OUTSTANDING
$ 1,250,000		General Obligation Bond, Series 2009 (General Fund) (Fire Trucks)	June 2029	Fixed	$ 845,995
112,500		Capital Outlay Notes, Series 2010 (General Fund) (EMS)	July 2019	Fixed	37,500
191,000		Capital Outlay Notes, Series 2015 (General Fund) (Patrol Cars)	Nov 2018	Fixed	87,403
191,000		Capital Outlay Notes, Series 2016 (General Fund) (Patrol Cars)	Oct 2019	Fixed	191,000
1,250,000	(2)	Loan Agreement, Series 2005 (General Debt Service Fund)	May 2025	Variable	540,000
1,378,600	(2)	Loan Agreement, Series 2007 (General Debt Service Fund)	May 2027	Variable	854,600
1,066,800		Capital Outlay Notes, Series 2007 (GDSF) (Health Dept)	Jan 2019	Fixed	174,465
100,000		Capital Outlay Notes, Series 2013 (GDSF) (Highway)	April 2019	Fixed	33,333
92,000		Capital Outlay Notes, Series 2015 (GDSF) (Ambulance)	May 2018	Fixed	30,666
86,687		Capital Outlay Notes, Series 2016 (GDSF) (Ambulance)	Mar 2019	Fixed	57,791
250,000		Capital Outlay Notes, Series 2016 (GDSF) (Flood Damage - Road Material)	Aug 2022	Fixed	250,000
60,000		Capital Outlay Notes, Series 2016 (GDSF) (Truck Maintenance and EMA)	Oct 2019	Fixed	60,000
99,815		Capital Outlay Notes, Series 2016 (GDSF) (Ambulance Remount)	Feb 2020	Fixed	99,815
115,000		Capital Outlay Notes, Series 2016 (GDSF) (Soccer Field)	Feb 2020	Fixed	115,000
56,688		Capital Outlay Notes, Series 2016 (GDSF) (Ambulance Power Cots)	May 2023	Fixed	56,688
8,315,000		General Obligation Refunding Bonds, Series 2015C (Jail)	June 2030	Fixed	8,215,000
8,930,000		General Obligation Refunding Bonds, Series 2015A (Education Debt Service)	April 2021	Fixed	6,195,000
2,000,000		General Obligation Bond, Series 2005 (Solid Waste)	Dec 2045	Fixed	1,740,643
829,583		Capital Outlay Notes, Series 2011 (Solid Waste)	April 2017	Fixed	276,528
508,138		Capital Outlay Notes, Series 2012 (Solid Waste)	Mar 2021	Fixed	225,839
258,200		Capital Outlay Notes, Series 2013 (Solid Waste)	Dec 2019	Fixed	129,140
2,280,990		Capital Outlay Notes, Series 2013 (Solid Waste)	July 2022	Fixed	1,520,660
400,000		Capital Outlay Notes, Series 2015 (Solid Waste)	Mar 2021	Fixed	240,066
466,000		Capital Outlay Notes, Series 2015 (Solid Waste)	Aug 2022	Fixed	388,333
496,830		Capital Outlay Notes, Series 2017 (Solid Waste)	March 2023	Fixed	496,830
309,989		Capital Outlay Notes, Series 2017 (Solid Waste)	March 2020	Fixed	309,989
65,300		Capital Lease (Highway)	Jul 2021	Fixed	54,193
200,000		Capital Outlay Notes, Series 2015 (Highway)	Jan 2018	Fixed	66,666
232,000		Capital Outlay Notes, Series 2016 (Highway)	Aug 2020	Fixed	232,000
$ 31,592,120		**TOTAL BONDED DEBT**			$ 23,525,143
$ 2,800,000		General Obligation Capital Outlay Notes, Series 2018	May 2030	Fixed	$ 2,800,000
(8,047,030)		Less: Self-Supporting Debt (Solid Waste & Highway)			(8,480,887)
$ 26,345,090		**NET BONDED DEBT**			$ 17,844,256

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 CAFR.

(2) The County budgets to account for interest rate and/or basis risk.

INTRODUCTION

SMITH COUNTY, TENNESSEE

Indebtedness and Debt Ratios

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 Fiscal Year Ended June 30					After Issuance
INDEBTEDNESS	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
TAX SUPPORTED						
General Obligation Bonds & Notes	$ 12,237,097	$ 12,164,657	$ 12,561,060	$ 12,443,405	$ 12,002,115	$ 12,002,115
School Bonds & Notes (Education Debt Service)	11,780,000	10,550,000	8,930,000	7,595,000	6,195,000	6,195,000
TOTAL TAX SUPPORTED	$ 24,017,097	$ 22,714,657	$ 21,491,060	$ 20,038,405	$ 18,197,115	$ 18,197,115
REVENUE SUPPORTED						
Solid Waste Debt (Tax Backed)	$ 3,305,074	$ 5,631,512	$ 5,425,721	$ 5,244,608	$ 5,328,028	$ 8,128,028
TOTAL DEBT	$ 27,322,171	$ 28,346,169	$ 26,916,781	$ 25,283,013	$ 23,525,143	$ 26,325,143
Less: Solid Waste Debt	$ (3,305,074)	$ (5,631,512)	$ (5,425,721)	$ (5,244,608)	$ (5,328,028)	$ (8,128,028)
Less: General Debt Service Fund	(717,924)	(315,111)	(351,981)	(442,796)	(353,146)	(353,146)
Less: Education Debt Service Fund	(2,277,469)	(2,607,520)	(2,678,170)	(3,252,270)	(3,854,956)	(3,854,956)
NET DIRECT DEBT	$ 21,021,704	$ 19,792,026	$ 18,460,909	$ 16,343,339	$ 13,989,013	$ 13,989,013
PROPERTY TAX BASE						
Estimated Actual Value	$ 1,181,067,409	$ 1,198,555,548	$ 1,237,394,023	$ 1,257,697,789	$ 1,361,158,730	$ 1,361,158,730
Appraised Value	$ 1,181,067,409	$ 1,198,555,548	$ 1,227,742,350	$ 1,247,887,746	$ 1,268,327,705	$ 1,268,327,705
Assessed Value	$ 331,767,763	$ 336,700,765	$ 346,544,229	$ 353,263,149	$ 359,787,582	$ 359,787,582

Source: General Purpose Financial Statements and County Officials.

	For Fiscal Year Ended June 30					After Issuance
DEBT RATIOS	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
TOTAL DEBT to Estimated Actual Value	2.03%	1.90%	1.74%	1.59%	1.34%	1.34%
TOTAL DEBT to Appraised Value	2.03%	1.90%	1.75%	1.61%	1.43%	1.43%
TOTAL DEBT to Assessed Value	7.24%	6.75%	6.20%	5.67%	5.06%	5.06%
NET DIRECT DEBT to Estimated Actual Value	6.55%	5.97%	5.43%	4.75%	3.99%	3.99%
NET DIRECT DEBT to Appraised Value	1.84%	1.68%	1.53%	1.35%	1.13%	1.13%
NET DIRECT DEBT to Assessed Value	6.55%	5.97%	5.43%	4.75%	3.99%	3.99%
PER CAPITA RATIOS						
POPULATION (1)	19,061	19,009	19,295	19,447	19,447	19,447
PER CAPITA PERSONAL INCOME (2)	$32,894	$33,731	$34,580	$34,653	$34,653	$34,653
Estimated Actual Value to POPULATION	61,963	63,052	64,130	64,673	69,993	69,993
Assessed Value to POPULATION	17,406	17,713	17,960	18,165	18,501	18,501
Total Debt to POPULATION	1,433	1,491	1,395	1,300	1,210	1,354
Net Direct Debt to POPULATION	1,103	1,041	957	840	719	719
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.83%	3.54%	3.22%	2.97%	2.70%	2.70%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.35%	3.09%	2.77%	2.43%	2.08%	2.08%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.
(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

SMITH COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION

General Fund / General Debt Service Fund

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1) Principal	Interest (2)	TOTAL	% All Principal Repaid
2018	$ 559,388	$ 93,809	$ 653,197	16.29%
2019	567,601	79,674	647,275	
2020	372,164	65,380	437,544	
2021	305,495	56,332	361,827	
2022	316,323	48,451	364,774	61.76%
2023	327,509	40,282	367,791	
2024	233,408	31,816	265,224	
2025	213,572	25,247	238,818	
2026	178,725	19,101	197,826	
2027	187,260	13,568	200,828	94.97%
2028	85,544	7,777	93,320	
2029	87,269	3,927	91,196	100.00%
	$ 3,434,256	$ 485,363	$ 3,919,620	

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 CAFR.

(2) The County budgets to account for interest rate and/or basis risk.

SMITH COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION

Courthouse / Jail Maintenance Fund

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1) Principal	Interest (2)	TOTAL	% All Principal Repaid
2018	$ 550,000	$ 205,213	$ 755,213	6.70%
2019	560,000	194,213	754,213	
2020	575,000	183,013	758,013	
2021	585,000	171,513	756,513	
2022	600,000	159,813	759,813	34.94%
2023	610,000	147,813	757,813	
2024	625,000	134,088	759,088	
2025	640,000	118,463	758,463	
2026	655,000	102,463	757,463	
2027	670,000	84,450	754,450	73.89%
2028	695,000	64,350	759,350	
2029	715,000	43,500	758,500	
2030	735,000	22,050	757,050	100.00%
	$ 8,215,000	$ 1,630,938	$ 9,845,938	

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 CAFR.

(2) The County budgets to account for interest rate and/or basis risk.

SMITH COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION (Education Debt Service Fund)
As of June 30, 2017

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	
2018	$ 1,455,000	$ 213,300	$ 1,668,300	23.49%
2019	1,525,000	140,550	1,665,550	48.10%
2020	1,600,000	64,300	1,664,300	73.93%
2021	1,615,000	32,300	1,647,300	100.00%
	$ 6,195,000	$ 450,450	$ 6,645,450	

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 CAFR.

SMITH COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION

Solid Waste Fund - Revenue Supported - Tax-Backed

F.Y. Ended 6/30	Existing Debt - Solid Waste as of June 30, 2017 (1)			General Obligation Capital Outlay Notes, Series 2018			% 2018 Principal Repaid	Estimated Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL		Principal	Interest	TOTAL	
2018	$ 808,659	$ 166,136	$ 974,795	$ -	$ -	$ -	0.00%	$ 808,659	$ 166,136	$ 974,795	9.95%
2019	810,084	144,112	954,196	205,000	83,300	288,300		1,015,084	227,412	1,242,496	
2020	811,030	122,054	933,084	210,000	77,850	287,850		1,021,030	199,904	1,220,934	
2021	547,785	100,470	648,255	215,000	71,550	286,550		762,785	172,020	934,805	
2022	452,880	84,204	537,084	220,000	65,100	285,100	30.36%	672,880	149,304	822,184	52.66%
2023	376,904	71,426	448,330	225,000	58,500	283,500		601,904	129,926	731,830	
2024	42,417	63,903	106,320	230,000	51,750	281,750		272,417	115,653	388,070	
2025	44,255	62,065	106,320	235,000	44,850	279,850		279,255	106,915	386,170	
2026	46,173	60,147	106,320	240,000	37,800	277,800		286,173	97,947	384,120	
2027	48,174	58,146	106,320	245,000	30,600	275,600	72.32%	293,174	88,746	381,920	73.98%
2028	50,261	56,059	106,320	250,000	23,250	273,250		300,261	79,309	379,570	
2029	52,440	53,880	106,320	260,000	15,750	275,750		312,440	69,630	382,070	
2030	54,712	51,608	106,320	265,000	7,950	272,950	100.00%	319,712	59,558	379,270	
2031	57,083	49,237	106,320	-	-	-		57,083	49,237	106,320	
2032	59,557	46,763	106,320	-	-	-		59,557	46,763	106,320	86.89%
2033	62,138	44,182	106,320	-	-	-		62,138	44,182	106,320	
2034	64,831	41,489	106,320	-	-	-		64,831	41,489	106,320	
2035	67,641	38,679	106,320	-	-	-		67,641	38,679	106,320	
2036	70,572	35,748	106,320	-	-	-		70,572	35,748	106,320	
2037	73,631	32,689	106,320	-	-	-		73,631	32,689	106,320	91.06%
2038	76,822	29,498	106,320	-	-	-		76,822	29,498	106,320	
2039	80,151	26,169	106,320	-	-	-		80,151	26,169	106,320	
2040	83,624	22,696	106,320	-	-	-		83,624	22,696	106,320	
2041	87,249	19,071	106,320	-	-	-		87,249	19,071	106,320	
2042	91,030	15,290	106,320	-	-	-		91,030	15,290	106,320	96.21%
2043	94,975	11,345	106,320	-	-	-		94,975	11,345	106,320	
2044	99,091	7,229	106,320	-	-	-		99,091	7,229	106,320	
2045	103,385	2,935	106,320	-	-	-		103,385	2,935	106,320	
2046	10,474	58	10,532	-	-	-		10,474	58	10,532	100.00%
	$ 5,328,028	$ 1,517,288	$ 6,845,316	$ 2,800,000	$ 568,250	$ 3,368,250		$ 8,128,028	$ 2,085,538	$ 10,213,566	

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 CAFR.

(2) Average Coupon 3.00%.

SMITH COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION

Highway Fund - Tax-Backed

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% All Principal Repaid
2018	$ 8,955	$ 2,719	$ 11,674	2.54%
2019	124,665	8,227	132,892	37.87%
2020	70,833	5,230	76,063	57.94%
2021	72,627	3,437	76,064	78.52%
2022	74,487	1,578	76,065	99.63%
2023	1,291	6	1,297	100.00%
	$ 352,859	$ 21,198	$ 374,057	

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 CAFR.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30,				
Fund Type	**2013**	**2014**	**2015**	**2016**	**2017**
Governmental Funds:					
General	$1,126,515	$ 887,871	$1,141,780	$1,379,892	$1,441,658
Highway/Public Works	538,482	549,561	281,005	12,008	270,450
Education Debt Service	2,277,469	2,607,520	2,678,170	3,252,270	3,854,956
Nonmajor Funds	992,878	491,073	453,099	595,485	498,848
TOTAL	**$4,935,344**	**$4,536,025**	**$4,554,054**	**$5,239,655**	**$6,065,912**
Proprietary Fund	$(461,173)	$(359,636)	$657,226	$531,093	$1,331,261

Source: Comprehensive Financial Audit Reports of the County.

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

	2013	2014	2015	2016	2017
Revenues:					
Local Taxes	$ 4,152,481	$ 4,312,509	$ 4,673,523	$ 4,793,525	$ 4,840,278
Licenses and Permits	74,168	134,699	124,669	145,122	140,114
Fines and Forfeits	29,889	29,053	57,421	103,169	103,932
Charges for Current Services	1,035,746	1,083,536	1,325,784	1,428,523	1,342,805
Other Local Revenues	445,229	312,427	346,659	302,937	253,251
Fees Recv'd from County Officials	861,461	852,532	910,797	954,992	963,779
State of Tennessee	1,448,458	1,369,840	1,672,699	1,618,668	2,006,297
Federal Government	185,085	181,808	168,153	683,163	705,323
Other Governments & Citizens Groups	82,083	162,410	186,479	440,585	349,848
Total Revenues	$ 8,314,600	$ 8,438,814	$ 9,466,184	$ 10,470,684	$ 10,705,627
Expenditures and Other Uses:					
General Government	$ 1,167,333	$ 1,203,844	$ 1,252,977	$ 1,236,357	$ 1,333,416
Finance	557,545	562,424	579,584	595,675	610,294
Administration of Justice	515,915	525,484	525,999	589,476	634,384
Public Safety	3,650,874	3,792,472	3,610,270	4,458,205	4,171,904
Public Health & Welfare	1,341,209	1,651,248	1,697,972	1,866,774	2,228,904
Social, Cultural, & Recreational Services	536,143	309,503	220,812	269,550	469,439
Agricultural & Natural Resources	130,103	138,774	131,032	153,182	139,695
Other Operations	851,328	599,947	621,635	649,725	887,884
Capital Outlay	-	-	-	-	-
Debt Service	272,962	258,356	316,010	264,260	254,745
Capital Projects	-	-	-	-	-
Total Expenditures	$ 9,023,412	$ 9,042,052	$ 8,956,291	$ 10,083,204	$ 10,730,665
Excess of Revenues & Over (under) Expenditures	$ (708,812)	$ (603,238)	$ 509,893	$ 387,480	$ (25,038)
Other Financing Sources (Uses):					
Debt Proceeds	$ 774,907	$ 364,036	$ -	$ -	$ -
Notes Issued	-	-	92,000	277,687	522,503
Insurance Recovery	20,992	558	8,469	14,145	5,501
Interfund Transfers - In	24,677	-	84,747	-	-
Interfund Transfers - Out	(111,113)	-	(441,200)	(441,200)	(441,200)
Total Other Financing Sources (Uses)	$ 709,463	$ 364,594	$ (255,984)	$ (149,368)	$ 86,804
Excess of Revenue & Other Sources over (Under) Expenditures & Other Sources	$ 651	$ (238,644)	$ 253,909	$ 238,112	$ 61,766
Fund Balance July 1	$ 1,125,864	$ 1,126,515	$ 887,871	$ 1,141,780	$ 1,379,892
Prior Period Adjustment	-	-	-	-	-
Fund Balance June 30	**$ 1,126,515**	**$ 887,871**	**$ 1,141,780**	**$ 1,379,892**	**$ 1,441,658**

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the

State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

Assessed Valuations. According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 0.9318. The following table shows pertinent data for tax year 2016[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 27,963,667	55%	$ 64,063,384
Commercial and Industrial	60,934,320	40%	163,485,541
Personal Tangible Property	40,386,590	30%	144,225,348
Residential and Farm	230,503,005	25%	989,384,457
TOTAL	**$359,787,582**		**$1,361,158,730**

[1] The tax year coincides with the calendar year; therefore tax year 2016 is actually fiscal year 2016-2017.
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 $359,787,582 compared to $353,263,149 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is $1,361,158,730 compared to $1,257,697,789 for tax year 2015.

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

PROPERTY TAX RATES AND COLLECTIONS				**Fiscal Yr Collections**		**Aggregate Uncollected Balance**	
Tax Year[2]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**as of June 30, 2017 Amount**	**Pct**
2013	$336,700,765	$2.23	$7,639,911	$7,338,836	96.1%	$56,458	.739%
2014	346,544,229	2.32	8,067,279	7,923,316	98.2%	77,849	.965
2015	353,263,149	2.32	8,244,897	8,102,425	98.3%	85,169	1.033
2016	359,787,582	2.32	8,311,752	8,143,127	97.0%	560,078	1.99
2017	388,613,598	2.14	8,316,331	**IN PROGRESS**			

[2] The tax year coincides with the calendar year; therefore tax year 2017 is actually fiscal year 2017-2018.
Source: The County.

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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:

	Taxpayer	Business Type	Assessment	Taxes Paid
1.	Upper Cumberland Electric	Public Utility	$18,024,275	$418,163
2.	East TN Natural Gas	Public Utility	2,896,137	67,190
3.	WalMart Real Estate	Retail	2,196,320	50,955
4.	Bon L Manufacturing Co.	Manufacturing	3,030,080	46,477
5.	Riverview Medical Center	Healthcare	1,815,560	42,121
6.	Nystar Gordonsville LLC	Zinc mining	1,305,195	30,281
7.	Torque Traction Tech	Manufacturing	1,263,840	29,321
8.	The IDB SM CO % SWM	Window Regulators	1,154,760	26,790
9.	Bonnell Aluminum	Aluminum extrusion	1,026,760	23,821
10.	Graphic Packing	Paper board packaging	868,600	20,152
	TOTAL		**$33,581,527**	**$755,271**

Source: The County.

LOCAL OPTION SALES TAX

Fiscal Year	General Fund	Education Debt Service	General Purpose School	Cities	Total
2013	$724,427	$538,890	$1,437,238	$1,254,726	$3,955,276
2014	734,717	544,492	1,436,828	1,254,727	3,970,764
2015	792,474	580,110	1,545,808	1,329,115	4,247,507
2016	843,215	613,536	1,642,581	1,406,802	4,506,134
2017	852,579	606,614	1,617,860	1,374,915	4,451,968

Source: The County.

PENSION PLANS

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

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

SMITH COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

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

ANNUAL FINANCIAL REPORT

SMITH COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2017

TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

SMITH COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2017

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

STEVE REEDER, CPA, CGFM, CFE
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

COURTNEY DYER, CPA
KELLEY J. MCNEAL, CPA, CGFM
State Auditors

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

SMITH COUNTY, TENNESSEE
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Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- The Solid Waste Disposal Fund had a deficit in unrestricted net position.

OFFICE OF ROAD COMMISSIONER

- The office had deficiencies in purchasing procedures.

OFFICE OF DIRECTOR OF SCHOOLS

- The director of schools was not paid in accordance with either the contract approved by the Board of Education or the budget approved by the county commission.
- Salaries exceeded appropriations.

OFFICE OF COUNTY CLERK

- The office did not review all software audit logs.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- The execution docket trial balance for Circuit Court did not reconcile with general ledger accounts.
- Unclaimed funds were not reported and paid to the state.

OFFICE OF CLERK AND MASTER

- Duties were not segregated adequately.

Introductory Section

Smith County Officials
June 30, 2017

Officials

Michael Nesbitt, County Mayor
Steve Coble, Road Commissioner
Barry Smith, Director of Schools
Lee Ann Williams, Trustee
Terry Collins, Assessor of Property
Clifa Norris, County Clerk
Tommy Turner, Circuit and General Sessions Courts Clerk
Thomas Dillehay, Clerk and Master
Jerri Lin Vaden, Register of Deeds
Steve Hopper, Sheriff

Board of County Commissioners

Michael Nesbitt, County Mayor, Chairman
Tommy Bane
Billy Bass
Pamela Billington
Carolyn Boles
Ronald Cowan
Daniel Cripps
Phillip Enoch
Thomas Gibbs
Randy Glover
David Gross
Dennis Hackett
Billy Halliburton
Matthew Inyart
Mark Jones
Barbara Kannapel
Charles Kent
Shannon Minchey
Joseph Nixon
Linda Nixon
Glen Reece
Andy Rutherford
James Winfree
Billy Woodard
Frank Woodard

Board of Education

Brian Smith, Chairman
David Apple
Shane Campbell
Tina Gantenbein
Tommy Manning
Robin Moore
Joe Taylor
Scotty Yeaman

Audit Committee

Larry Wilkerson, Chairman
Anthony Apple
Joseph Nixon
Laura Piper
David West

Financial Section

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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

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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 Smith County, Tennessee, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability (asset) and related ratios, schedule of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plans, on pages 92-99 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 Smith County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, combining and individual fund financial statements of the Smith County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2018, on our consideration of Smith County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Smith County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Smith County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 25, 2018

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government Governmental Activities	Primary Government Business-type Activities	Primary Government Total	Component Unit Smith County School Department
ASSETS				
Cash	$ 11,851	$ 0	$ 11,851	$ 0
Equity in Pooled Cash and Investments	5,486,119	2,425,585	7,911,704	7,685,866
Accounts Receivable	796,722	395,673	1,192,395	510
Allowance for Uncollectibles	(269,097)	0	(269,097)	0
Due from Other Governments	833,024	0	833,024	401,461
Due from Other Funds	0	2,185	2,185	0
Due from Component Units	92,859	0	92,859	0
Property Taxes Receivable	4,766,618	0	4,766,618	3,437,089
Allowance for Uncollectible Property Taxes	(151,365)	0	(151,365)	(108,954)
Net Pension Asset - Agent Plan	368,991	24,592	393,583	218,140
Net Pension Asset - Teacher Retirement Plan	0	0	0	18,531
Capital Assets:				
Assets Not Depreciated:				
Land	974,935	2,052,484	3,027,419	1,264,538
Construction in Progress	184,037	490,795	674,832	0
Intangible Assets - Indefinite Life	1,009,865	0	1,009,865	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	13,146,517	45,272	13,191,789	24,312,604
Infrastructure	21,122,565	0	21,122,565	83,581
Other Capital Assets	2,105,364	1,552,695	3,658,059	1,440,234
Landfill Facilities and Development	0	4,280,238	4,280,238	0
Total Assets	$ 50,479,005	$ 11,269,519	$ 61,748,524	$ 38,753,600
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	$ 79,653	$ 0	$ 79,653	$ 0
Pension Changes in Experience	0	0	0	81,095
Pension Changes in Investment Earnings	380,094	25,331	405,425	2,331,603
Pension Other Deferrals	0	0	0	41,549
Pension Changes in Contributions after Measurement Date	365,219	25,916	391,135	1,199,418
Total Deferred Outflows of Resources	$ 824,966	$ 51,247	$ 876,213	$ 3,653,665

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Smith County School Department
LIABILITIES				
Accounts Payable	$ 67,229	$ 112,128	$ 179,357	$ 15,744
Accrued Payroll	0	0	0	51,400
Payroll Deductions Payable	191,411	18,216	209,627	619,400
Due to Other Funds	2,185	0	2,185	0
Due to Primary Government	0	0	0	92,859
Due to State of Tennessee	1,256	0	1,256	0
Accrued Interest Payable	65,134	0	65,134	0
Noncurrent Liabilities:				
Due Within One Year	2,837,291	808,659	3,645,950	48,878
Due in More Than One Year	16,236,932	9,023,761	25,260,693	2,525,338
Total Liabilities	$ 19,401,438	$ 9,962,764	$ 29,364,202	$ 3,353,619
DEFERRED INFLOWS OF RESOURCES				
Deferred Current Property Taxes	$ 4,483,702	$ 0	$ 4,483,702	$ 3,233,613
Pension Changes in Experience	401,251	26,741	427,992	2,520,632
Pension Other Deferrals	0	0	0	9,743
Total Deferred Inflows of Resources	$ 4,884,953	$ 26,741	$ 4,911,694	$ 5,763,988
NET POSITION				
Net Investment in Capital Assets	$ 26,400,893	$ 3,093,456	$ 29,494,349	$ 27,100,957
Restricted for:				
General Government	12,994	0	12,994	0
Finance	18,848	0	18,848	0
Administration of Justice	6,318	0	6,318	0
Public Safety	353,964	0	353,964	0
Public Health and Welfare	85,072	0	85,072	0
Social, Cultural, and Recreational Services	22,154	0	22,154	0
Highway/Public Works	297,855	0	297,855	0
Debt Service	4,304,187	0	4,304,187	0
Education	0	0	0	937,122
Pensions	368,991	24,592	393,583	236,671
Unrestricted	(4,853,696)	(1,786,787)	(6,640,483)	5,014,908
Total Net Position	$ 27,017,580	$ 1,331,261	$ 28,348,841	$ 33,289,658

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Smith County School Department
Primary Government:								
Governmental Activities:								
General Government	$ 2,056,366	$ 349,350	$ 397,727	$ 0	$ (1,309,289)	$ 0	$ (1,309,289)	$ 0
Finance	583,407	535,974	0	0	(47,433)	0	(47,433)	0
Administration of Justice	605,853	519,269	61,341	0	(25,243)	0	(25,243)	0
Public Safety	4,534,183	1,302,119	221,402	237,484	(2,773,178)	0	(2,773,178)	0
Public Health and Welfare	1,989,361	1,166,580	399,367	208,248	(215,166)	0	(215,166)	0
Social, Cultural, and Recreational Services	381,961	29,657	65,108	0	(287,196)	0	(287,196)	0
Agriculture and Natural Resources	134,961	0	989	0	(133,972)	0	(133,972)	0
Highways/Public Works	2,008,236	0	1,653,172	687,348	332,284	0	332,284	0
Interest on Long-term Debt	492,359	0	0	0	(492,359)	0	(492,359)	0
Total Governmental Activities	$ 12,786,687	$ 3,902,949	$ 2,799,106	$ 1,133,080	$ (4,951,552)	$ 0	$ (4,951,552)	$ 0
Business-type Activities:								
Solid Waste Disposal	$ 3,076,984	$ 3,874,967	$ 0	$ 0	$ 0	$ 797,983	$ 797,983	$ 0
Total Business-type Activities	$ 3,076,984	$ 3,874,967	$ 0	$ 0	$ 0	$ 797,983	$ 797,983	$ 0
Total Primary Government	$ 15,863,671	$ 7,777,916	$ 2,799,106	$ 1,133,080	$ (4,951,552)	$ 797,983	$ (4,153,569)	$ 0
Component Unit:								
School Department	$ 25,150,655	$ 552,244	$ 2,856,936	$ 0	$ 0	$ 0	$ 0	$ (21,741,475)
Total Component Unit	$ 25,150,655	$ 552,244	$ 2,856,936	$ 0	$ 0	$ 0	$ 0	$ (21,741,475)

(Continued)

Exhibit B

Smith County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Smith County School Department
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					$ 3,907,959	$ 0	$ 3,907,959	$ 3,539,464
Property Taxes Levied for Debt Service					1,021,569	0	1,021,569	0
Local Option Sales Taxes					1,457,107	0	1,457,107	1,619,341
Wheel Tax					1,189,086	0	1,189,086	0
Litigation Tax - General					76,754	0	76,754	0
Litigation Tax - Special Purpose					5,663	0	5,663	0
Litigation Tax - Jail, Workhouse, or Courthouse					48,312	0	48,312	0
Business Tax					144,052	0	144,052	0
Mineral Severance Tax					79,342	0	79,342	0
Wholesale Beer Tax					50,190	0	50,190	0
Other Local Taxes					4,542	0	4,542	1,274
Grants and Contributions Not Restricted to Specific Purposes					761,367	0	761,367	17,981,039
Unrestricted Investment Income					61,533	0	61,533	1,297
Miscellaneous					69,554	0	69,554	78,141
Sale of Equipment					73,514	0	73,514	0
Amortized Premium					129,206	0	129,206	
Total General Revenues					$ 9,079,750	$ 0	$ 9,079,750	$ 23,220,556
Insurance Recovery					$ 9,731	$ 2,185	$ 11,916	$ 0
Change in Net Position					$ 4,137,929	$ 800,168	$ 4,938,097	$ 1,479,081
Net Position, July 1, 2016					22,879,651	$ 531,093	23,410,744	31,810,577
Net Position, June 30, 2017					$ 27,017,580	$ 1,331,261	$ 28,348,841	$ 33,289,658

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

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 0	$ 0	$ 0	$ 11,851	$ 11,851
Equity in Pooled Cash and Investments	1,027,302	162,658	3,799,542	496,617	5,486,119
Accounts Receivable	782,402	22	0	14,298	796,722
Allowance for Uncollectibles	(269,097)	0	0	0	(269,097)
Due from Other Governments	426,796	300,506	105,722	0	833,024
Due from Other Funds	26,149	0	0	0	26,149
Due from Component Units	92,859	0	0	0	92,859
Property Taxes Receivable	3,274,953	287,825	449,814	754,026	4,766,618
Allowance for Uncollectible Property Taxes	(107,453)	(9,056)	(14,428)	(20,428)	(151,365)
Total Assets	$ 5,253,911	$ 741,955	$ 4,340,650	$ 1,256,364	$ 11,592,880
LIABILITIES					
Accounts Payable	$ 67,229	$ 0	$ 0	$ 0	$ 67,229
Payroll Deductions Payable	142,976	48,421	0	0	191,397
Due to Other Funds	2,185	0	0	26,149	28,334
Due to State of Tennessee	0	1,256	0	0	1,256
Other Current Liabilities	14	0	0	0	14
Total Liabilities	$ 212,404	$ 49,677	$ 0	$ 26,149	$ 288,230
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 3,071,029	$ 270,973	$ 422,718	$ 718,982	$ 4,483,702
Deferred Delinquent Property Taxes	81,742	6,605	10,734	12,385	111,466
Other Deferred/Unavailable Revenue	447,078	144,250	52,242	0	643,570
Total Deferred Inflows of Resources	$ 3,599,849	$ 421,828	$ 485,694	$ 731,367	$ 5,238,738

(Continued)

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Endowments	$ 0	$ 0	$ 0	$ 22,154	$ 22,154
Restricted:					
Restricted for General Government	12,994	0	0	0	12,994
Restricted for Finance	18,848	0	0	0	18,848
Restricted for Administration of Justice	6,318	0	0	0	6,318
Restricted for Public Safety	250,889	0	0	103,075	353,964
Restricted for Public Health and Welfare	85,072	0	0	0	85,072
Restricted for Highways/Public Works	0	270,450	0	0	270,450
Restricted for Debt Service	0	0	3,854,956	353,146	4,208,102
Committed:					
Committed for Administration of Justice	45,167	0	0	0	45,167
Committed for Social, Cultural, and Recreational Services	0	0	0	20,473	20,473
Assigned:					
Assigned for General Government	4,594	0	0	0	4,594
Assigned for Finance	784	0	0	0	784
Assigned for Administration of Justice	6,309	0	0	0	6,309
Assigned for Public Safety	104,922	0	0	0	104,922
Assigned for Public Health and Welfare	5,636	0	0	0	5,636
Assigned for Social, Cultural, and Recreational Services	15,151	0	0	0	15,151
Assigned for Agriculture and Natural Resources	5,624	0	0	0	5,624
Assigned for Other Operations	473	0	0	0	473
Unassigned	878,877	0	0	0	878,877
Total Fund Balances	$ 1,441,658	$ 270,450	$ 3,854,956	$ 498,848	$ 6,065,912
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,253,911	$ 741,955	$ 4,340,650	$ 1,256,364	$ 11,592,880

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

Exhibit C-2

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

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:		
Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 6,065,912
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 974,935	
Add: construction in progress	184,037	
Add: intangible assets - indefinite life	1,009,865	
Add: buildings and improvements net of accumulated depreciation	13,146,517	
Add: infrastructure net of accumulated depreciation	21,122,565	
Add: other capital assets net of accumulated depreciation	2,105,364	38,543,283
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	$ (15,255,995)	
Less: notes payable	(1,492,327)	
Less: other loans payable	(1,394,600)	
Less: capital leases payable	(54,193)	
Add: deferred amount on refunding	79,653	
Less: unamortized premium on debt	(512,315)	
Less: compensated absences payable	(190,793)	
Less: other postemployment benefits liability	(174,000)	
Less: accrued interest on bonds and notes	(65,134)	(19,059,704)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	$ 745,313	
Less: deferred inflows of resources related to pensions	(401,251)	344,062
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		368,991
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		755,036
Net position of governmental activities (Exhibit A)		$ 27,017,580

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

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 4,840,278	$ 379,724	$ 2,015,135	$ 907,356	$ 8,142,493
Licenses and Permits	140,114	0	0	0	140,114
Fines, Forfeitures, and Penalties	103,932	0	0	28,840	132,772
Charges for Current Services	1,342,805	0	0	0	1,342,805
Other Local Revenues	253,251	38,025	0	76,496	367,772
Fees Received From County Officials	963,779	0	0	0	963,779
State of Tennessee	2,006,297	2,295,062	0	0	4,301,359
Federal Government	705,323	0	0	0	705,323
Other Governments and Citizens Groups	349,848	0	296,000	0	645,848
Total Revenues	$ 10,705,627	$ 2,712,811	$ 2,311,135	$ 1,012,692	$ 16,742,265
Expenditures					
Current:					
General Government	$ 1,333,416	$ 0	$ 0	$ 0	$ 1,333,416
Finance	610,294	0	0	0	610,294
Administration of Justice	634,384	0	0	0	634,384
Public Safety	4,171,904	0	0	31,761	4,203,665
Public Health and Welfare	2,228,904	0	0	0	2,228,904
Social, Cultural, and Recreational Services	469,439	0	0	0	469,439
Agriculture and Natural Resources	139,695	0	0	0	139,695
Other Operations	887,884	0	0	0	887,884
Highways	0	2,922,229	0	0	2,922,229
Debt Service:					
Principal on Debt	208,414	77,774	1,400,000	1,224,905	2,911,093
Interest on Debt	46,331	5,896	283,300	267,104	602,631
Other Debt Service	0	0	25,149	26,759	51,908
Total Expenditures	$ 10,730,665	$ 3,005,899	$ 1,708,449	$ 1,550,529	$ 16,995,542

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	$ (25,038)	$ (293,088)	$ 602,686	$ (537,837)	$ (253,277)
Other Financing Sources (Uses)					
Notes Issued	$ 522,503	$ 482,000	$ 0	$ 0	$ 1,004,503
Capital Leases Issued	0	65,300	0	0	65,300
Insurance Recovery	5,501	4,230	0	0	9,731
Transfers In	0	0	0	441,200	441,200
Transfers Out	(441,200)	0	0	0	(441,200)
Total Other Financing Sources (Uses)	$ 86,804	$ 551,530	$ 0	$ 441,200	$ 1,079,534
Net Change in Fund Balances	$ 61,766	$ 258,442	$ 602,686	$ (96,637)	$ 826,257
Fund Balance, July 1, 2016	1,379,892	12,008	3,252,270	595,485	5,239,655
Fund Balance, June 30, 2017	$ 1,441,658	$ 270,450	$ 3,854,956	$ 498,848	$ 6,065,912

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

Exhibit C-4

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

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

Net change in fund balances - total governmental funds (Exhibit C-3)		$ 826,257
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 1,800,256	
Less: current-year depreciation expense	(823,583)	976,673
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Less: book value of capital assets disposed		(11,151)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2017	$ 755,036	
Less: deferred delinquent property taxes and other deferred June 30, 2016	(702,157)	52,879
(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:		
Less: note proceeds	$ (1,004,503)	
Less: capital lease proceeds	(65,300)	
Less: change in premium on debt issuances	129,206	
Less: change in deferred amount on refunding debt	(38,120)	
Add: principal payments on bonds	2,182,466	
Add: principal payments on notes	588,810	
Add: principal payments on other loans	128,710	
Add: principal payments on capital leases	11,107	1,932,376
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 110,272	
Change in compensated absences payable	(14,583)	
Change in other postemployment benefits liability	18,585	
Change in pension liability/asset	(106,196)	
Change in deferred outflows related to pensions	403,618	
Change in deferred inflows related to pensions	(50,801)	360,895
Change in net position of governmental activities (Exhibit B)		$ 4,137,929

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

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 4,840,278	$ 0	$ 0	$ 4,840,278	$ 4,770,702	$ 4,772,558	$ 67,720
Licenses and Permits	140,114	0	0	140,114	148,100	165,400	(25,286)
Fines, Forfeitures, and Penalties	103,932	0	0	103,932	104,050	118,050	(14,118)
Charges for Current Services	1,342,805	0	0	1,342,805	1,696,450	1,701,450	(358,645)
Other Local Revenues	253,251	0	0	253,251	271,996	256,528	(3,277)
Fees Received From County Officials	963,779	0	0	963,779	978,000	978,047	(14,268)
State of Tennessee	2,006,297	0	0	2,006,297	1,996,597	2,078,716	(72,419)
Federal Government	705,323	0	0	705,323	21,000	566,496	138,827
Other Governments and Citizens Groups	349,848	0	0	349,848	183,000	358,996	(9,148)
Total Revenues	$ 10,705,627	$ 0	$ 0	$ 10,705,627	$ 10,169,895	$ 10,996,241	$ (290,614)
Expenditures							
General Government							
County Commission	$ 34,872	$ 0	$ 0	$ 34,872	$ 33,945	$ 35,255	$ 383
Board of Equalization	2,150	0	0	2,150	2,150	2,150	0
County Mayor/Executive	197,606	(514)	0	197,092	188,130	197,775	683
County Attorney	30,281	0	0	30,281	40,000	30,281	0
Election Commission	201,035	(756)	12	200,291	220,134	220,134	19,843
Register of Deeds	162,359	(1,096)	0	161,263	161,406	163,915	2,652
Planning	13,519	0	0	13,519	15,000	13,740	221
Codes Compliance	111,817	(1,998)	397	110,216	98,785	121,885	11,669
County Buildings	579,777	(12,207)	4,185	571,755	557,733	588,517	16,762
Finance							
Property Assessor's Office	170,546	0	357	170,903	175,532	181,291	10,388
Reappraisal Program	16,910	0	0	16,910	14,555	17,055	145
County Trustee's Office	167,929	0	402	168,331	168,218	170,727	2,396
County Clerk's Office	254,909	(40)	25	254,894	261,004	263,513	8,619
Administration of Justice							
Circuit Court	286,985	(2,387)	1,799	286,397	296,515	299,192	12,795
General Sessions Judge	133,127	(320)	4,249	137,056	124,269	139,804	2,748

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice (Cont.)							
Drug Court	$ 58,361	$ (1,330)	$ 159	$ 57,190	$ 50,000	$ 70,000	$ 12,810
Chancery Court	125,226	(360)	103	124,969	126,380	128,889	3,920
Judicial Commissioners	23,200	0	0	23,200	23,895	23,895	695
Other Administration of Justice	7,485	0	0	7,485	7,500	7,500	15
Public Safety							
Sheriff's Department	2,210,590	(61,136)	9,026	2,158,480	2,424,174	2,375,803	217,323
Traffic Control	782	0	0	782	1,000	1,000	218
Jail	419,579	(15,479)	87,720	491,820	442,371	534,003	42,183
Correctional Incentive Program Improvements	756,441	0	0	756,441	807,599	807,599	51,158
Juvenile Services	53,307	(400)	0	52,907	48,667	58,667	5,760
Fire Prevention and Control	162,933	(950)	256,309	418,292	290,835	462,435	44,143
Rescue Squad	30,000	0	0	30,000	30,000	30,000	0
Other Emergency Management	78,286	(4,946)	1,108	74,448	76,241	76,241	1,793
Inspection and Regulation	2,756	0	0	2,756	2,756	2,756	0
County Coroner/Medical Examiner	53,100	0	0	53,100	45,600	55,600	2,500
Public Safety Grants Program	73,997	0	118	74,115	109,255	117,885	43,770
Other Public Safety	330,133	0	0	330,133	281,878	330,136	3
Public Health and Welfare							
Local Health Center	26,161	(112)	0	26,049	29,296	29,296	3,247
Ambulance/Emergency Medical Services	1,903,493	(31,510)	3,290	1,875,273	1,558,736	1,898,735	23,462
Alcohol and Drug Programs	11,094	(76)	0	11,018	24,604	38,360	27,342
Other Local Health Services	88,116	(45)	0	88,071	80,552	90,782	2,711
Appropriation to State	12,952	0	0	12,952	12,952	12,952	0
General Welfare Assistance	59,691	(119)	348	59,920	60,428	60,428	508
Other Local Welfare Services	13,724	0	0	13,724	10,000	24,000	10,276
Waste Pickup	31,727	(5,559)	600	26,768	33,700	33,700	6,932
Other Public Health and Welfare	81,946	0	1,398	83,344	73,100	109,300	25,956
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	58,231	(223)	381	58,389	62,879	62,879	4,490

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Social, Cultural, and Recreational Services (Cont.)							
Libraries	$ 119,905 $	(3,322) $	851 $	117,434 $	126,085 $	126,142 $	8,708
Parks and Fair Boards	163,401	(5,167)	2,858	161,092	56,475	173,385	12,293
Other Social, Cultural, and Recreational	127,902	(590)	11,061	138,373	127,000	140,204	1,831
Agriculture and Natural Resources							
Agricultural Extension Service	62,407	0	0	62,407	66,305	66,305	3,898
Soil Conservation	11,000	0	0	11,000	11,000	11,000	0
Other Agriculture and Natural Resources	66,288	(1,088)	5,624	70,824	68,800	73,702	2,878
Other Operations							
Tourism	4,142	0	0	4,142	1,650	5,462	1,320
Industrial Development	10,550	0	0	10,550	9,898	18,398	7,848
Housing and Urban Development	64,281	0	0	64,281	0	109,281	45,000
Other Economic and Community Development	42,867	0	0	42,867	42,867	42,867	0
Veterans' Services	13,325	(260)	60	13,125	16,335	16,335	3,210
Other Charges	278,152	0	0	278,152	292,213	292,213	14,061
Employee Benefits	51,143	0	0	51,143	60,225	60,225	9,082
Miscellaneous	423,424	0	412	423,836	447,805	450,461	26,625
Principal on Debt							
General Government	208,414	0	0	208,414	0	208,415	1
Interest on Debt							
General Government	46,331	0	0	46,331	0	46,846	515
Total Expenditures	$ 10,730,665 $	(151,990) $	392,852 $	10,971,527 $	10,398,432 $	11,729,316 $	757,789
Excess (Deficiency) of Revenues Over Expenditures	$ (25,038) $	151,990 $	(392,852) $	(265,900) $	(228,537) $	(733,075) $	467,175
Other Financing Sources (Uses)							
Notes Issued	$ 522,503 $	0 $	0 $	522,503 $	461,000 $	743,161 $	(220,658)
Insurance Recovery	5,501	0	0	5,501	0	8,293	(2,792)
Transfers Out	(441,200)	0	0	(441,200)	(441,200)	(441,200)	0
Total Other Financing Sources	$ 86,804 $	0 $	0 $	86,804 $	19,800 $	310,254 $	(223,450)

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Net Change in Fund Balance	$ 61,766	$ 151,990	$ (392,852)	$ (179,096)	$ (208,737)	$ (422,821)	$ 243,725
Fund Balance, July 1, 2016	1,379,892	(151,990)	0	1,227,902	1,200,000	1,200,000	27,902
Fund Balance, June 30, 2017	$ 1,441,658	$ 0	$ (392,852)	$ 1,048,806	$ 991,263	$ 777,179	$ 271,627

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

Exhibit C-6

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 379,724	$ 368,159	$ 368,159	$ 11,565
Other Local Revenues	38,025	50,500	106,368	(68,343)
State of Tennessee	2,295,062	2,702,893	2,732,893	(437,831)
Total Revenues	$ 2,712,811	$ 3,121,552	$ 3,207,420	$ (494,609)
Expenditures				
Highways				
Administration	$ 222,112	$ 198,313	$ 222,755	$ 643
Highway and Bridge Maintenance	1,241,956	1,081,205	1,493,300	251,344
Operation and Maintenance of Equipment	233,971	171,820	263,984	30,013
Other Charges	94,012	95,620	94,154	142
Employee Benefits	418,740	400,000	422,013	3,273
Capital Outlay	711,438	1,242,000	1,317,000	605,562
Principal on Debt				
Highways and Streets	77,774	66,667	77,774	0
Interest on Debt				
Highways and Streets	5,896	3,853	5,896	0
Total Expenditures	$ 3,005,899	$ 3,259,478	$ 3,896,876	$ 890,977
Excess (Deficiency) of Revenues Over Expenditures	$ (293,088)	$ (137,926)	$ (689,456)	$ 396,368
Other Financing Sources (Uses)				
Notes Issued	$ 482,000	$ 0	$ 482,000	$ 0
Capital Leases Issued	65,300	0	65,300	0
Insurance Recovery	4,230	0	4,230	0
Total Other Financing Sources	$ 551,530	$ 0	$ 551,530	$ 0
Net Change in Fund Balance	$ 258,442	$ (137,926)	$ (137,926)	$ 396,368
Fund Balance, July 1, 2016	12,008	218,000	218,000	(205,992)
Fund Balance, June 30, 2017	$ 270,450	$ 80,074	$ 80,074	$ 190,376

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

Exhibit D-1

Smith County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2017

	Business-type Activities - Enterprise Fund Solid Waste Disposal Fund
ASSETS	
Current Assets:	
Equity in Pooled Cash and Investments	$ 2,425,585
Accounts Receivable	395,673
Due from Other Funds	2,185
Total Current Assets	$ 2,823,443
Noncurrent Assets:	
Net Pension Asset	$ 24,592
Capital Assets:	
Assets Not Depreciated:	
Land	2,052,484
Construction in Progress	490,795
Assets Net of Accumulated Depreciation:	
Landfill Facilities and Development	4,280,238
Buildings and Improvements	45,272
Machinery and Equipment	1,552,695
Total Noncurrent Assets	$ 8,446,076
Total Assets	$ 11,269,519
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources:	
Pension Changes in Investment Earnings	$ 25,331
Pension Contributions After Measurement Date	25,916
Total Deferred Outflows of Resources	$ 51,247
Total Assets and Deferred Outflows of Resources	$ 11,320,766

(Continued)

Exhibit D-1

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

		Business-type Activities - Enterprise Fund
		Solid Waste Disposal Fund
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	112,128
Payroll Deductions Payable		18,216
Capital Outlay Notes Payable		775,775
Other Loans Payable		32,884
Total Current Liabilities	$	939,003
Noncurrent Liabilities:		
Capital Outlay Notes Payable - Long-term	$	2,811,610
Accrued Liability for Landfill Closure/Postclosure Care Costs		4,504,392
Other Loans Payable - Long-term		1,707,759
Total Noncurrent Liabilities	$	9,023,761
Total Liabilities	$	9,962,764
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources:		
Pension Changes in Experience	$	26,741
Total Deferred Inflows of Resources	$	26,741
NET POSITION		
Restricted for Pensions	$	24,592
Unrestricted		(1,786,787)
Net Investment in Capital Assets		3,093,456
Total Net Position	$	1,331,261

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

Exhibit D-2

Smith County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2017

		Business-type Activities - Major Enterprise Fund
		Solid Waste Disposal Fund
Operating Revenues		
Licenses and Permits	$	960
Charges for Current Services		3,843,832
Other Local Revenues		30,175
Total Operating Revenues	$	3,874,967
Operating Expenses		
Waste Pickup	$	133,532
Convenience Centers		192,529
Other Waste Collection		14,697
Landfill Operations and Maintenance		2,137,453
Depreciation Expense		417,127
Total Operating Expenses	$	2,895,338
Operating Income (Loss)	$	979,629
Nonoperating Revenues (Expenses)		
Loss on the Disposal of Capital Assets	$	(6,875)
Interest on Notes		(97,281)
Interest on Other Loans		(77,490)
Total Nonoperating Revenues (Expenses)	$	(181,646)
Income (Loss) Before Insurance Recovery	$	797,983
Insurance Recovery		2,185
Change in Net Position	$	800,168
Net Position, July 1, 2016		531,093
Net Position, June 30, 2017	$	1,331,261

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

Exhibit D-3

Smith County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	Business-type Activities - Major Enterprise Fund
	Solid Waste Disposal Fund
Cash Flows from Operating Activities	
Receipts from Customers and Users	$ 3,892,657
Payments to Suppliers	(983,668)
Payments to Employees	(752,909)
Other Payments	(76,920)
Net Cash Provided By (Used In) Operating Activities	$ 2,079,160
Cash Flows from Capital and Related Financing Activities	
Proceeds from Issuance of Capital Debt	$ 807,361
Proceeds from the Sales of Capital Assets	40,000
Acquisition and Construction of Capital Assets	(1,058,231)
Principal Paid on Capital Outlay Notes	(695,111)
Principal Paid on Other Loan	(28,830)
Interest Paid on Capital Outlay Notes	(97,281)
Interest Paid on Other Loan	(77,490)
Net Cash Provided By (Used In) Capital and Related Financing Activities	$ (1,109,582)
Net Increase (Decrease) in Cash	$ 969,578
Cash, July 1, 2016	1,456,007
Cash, June 30, 2017	$ 2,425,585
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	$ 979,629
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	417,127
(Increase) Decrease in Landfill Closure/postclosure Care Costs	627,510
(Increase) Decrease in Deferred Outflows Related to Pensions	(8,974)
(Increase) Decrease in Deferred Inflows Related to Pensions	(11,209)
(Increase) Decrease in Net Pension Asset	1,836
(Increase) Decrease in Accounts Receivable, Net	17,690
(Increase) Decrease in Accounts Payable	44,829
Increase (Decrease) in Payroll Deductions Payable	10,722
Net Cash Provided By (Used In) Operating Activities	$ 2,079,160

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

Exhibit E

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

		Agency Funds
ASSETS		
Cash	$	643,913
Due from Other Governments		253,984
Total Assets	$	897,897
LIABILITIES		
Due to Other Taxing Units	$	253,984
Due to Litigants, Heirs, and Others		643,913
Total Liabilities	$	897,897

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

SMITH COUNTY, TENNESSEE
Index of Notes to the Financial Statements

SMITH COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Smith 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 Smith County:

A. Reporting Entity

Smith County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Smith County (the primary government) and its component units. The financial statements of the Smith County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, their omission did not affect the independent auditor's report 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 Smith County School Department operates the public school system in the county, and the voters of Smith 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 Smith County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Smith County, and the Smith 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 Smith County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Smith 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 Smith County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Smith County Emergency Communications District
515 Jefferson Avenue, East
Carthage, TN 37030

Related Organization – The Industrial Development Board of Smith County is a related organization of Smith County. The county mayor nominates and the Smith County Commission confirms the board members, but the county's accountability for the organization does not extend beyond making the appointments.

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 Smith 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.

Smith County issues all debt for the discretely presented Smith County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2017.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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 Smith 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 inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Smith County reports one proprietary fund, an enterprise fund.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Smith 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 fund and fiduciary funds financial statements are reported using the economic resources measurement focus (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Smith County reports the following major governmental funds:

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

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

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

Smith County reports the following major enterprise fund:

Solid Waste Disposal Fund – This fund accounts for transactions of the county-owned landfill.

Additionally, Smith County reports the following fund types:

Permanent Fund – The Library Endowment Fund is used to account for resources that are being held in trust for library operations. Earnings on invested resources may be used to fund library operations, but the principal is required to be maintained intact.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Smith

County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Smith County School Department reports the following major governmental fund:

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

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

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

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

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

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

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash includes 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 Smith 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 Fund. Smith 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. No investments required to be reported at fair value were held at the balance sheet date.

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

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.61 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 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 with offsetting 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.

3. **Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and 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 ($25,000 for the School Department) or more and an estimated useful life exceeding three years (five years for the School Department). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise fund is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Landfill Facilities and Development	25
Buildings and Improvements	7 - 40
Other Capital Assets	5 - 20
Infrastructure	20 - 75

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

Assets	Years
Buildings and Improvements	20 - 40
Other Capital Assets	5 - 15
Infrastructure	20 - 40

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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 only has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for the deferred charge on refunding, pension changes in experience, changes in investment earnings, changes in proportionate share of contributions, and employer contributions made to the pension plan after the measurement date. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

5. **Compensated Absences**

Primary Government

It is the county's policy (with the exception of the Highway Department and the Office of County Clerk) not to allow employees to accumulate unused vacation days beyond year-end. The Highway Department and county clerk permit employees to accumulate earned but unused vacation benefits beyond year-end. All county offices allow the accumulation of unused sick days beyond year-end. There is no liability for unpaid accumulated sick leave (with the exception of the Highway Department and the Office of County Clerk) since Smith County does not provide for payment when employees separate from service with the government. Vacation and sick pay for the Highway Department and the Office of County Clerk accrued when incurred in the government-wide financial statements for the county. A liability for vacation and sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Discretely Presented Smith County School Department

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end for professional personnel. However, the School Department's policy does permit non-certified personnel to accumulate earned but unused vacation benefits beyond year-end. All professional personnel (teachers) and non-certified employees of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded. All non-certified employees' vacation pay is accrued when incurred in the government-wide financial statements for the 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.

6. **Long-term Obligations**

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, 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.

7. Net Position and Fund Balance

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

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

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

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

As of June 30, 2017, Smith County had $6,195,000 in outstanding debt for capital purposes for the discretely presented Smith County School Department. This debt is a liability of Smith County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Smith County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Smith County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Smith 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 Smith County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Smith County School Department

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

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

Primary Government

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

Discretely Presented Smith County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2017, Smith County and the Smith County School Department reported the following significant encumbrances:

Fund	Description		Amount
Primary Government:			
Major Fund:			
General	Fire fighting gear	$	249,359
"	Inmate medical bills		86,270
School Department:			
Major Fund:			
General Purpose School	Textbooks		30,032
"	Technology Supplies		10,620

B. Net Position Deficit

The Solid Waste Disposal Fund had a deficit of $1,786,787 in unrestricted net position at June 30, 2017. This deficit resulted from the recognition of a liability of $4,504,392 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

C. Salaries Exceeded Appropriations

Salaries exceeded appropriations in 21 of 77 salary line items of the discretely presented General Purpose School Fund. Expenditures that exceed appropriations are a violation of the county's budget resolution. These expenditures in excess of appropriations were funded by appropriations within each major category that were not spent during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Smith County and the Smith 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 the purposes of credit risk disclosure.

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2017.

B. Capital Assets

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

Primary Government

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 974,935	$ 0	$ 0	$ 974,935
Construction in Progress	0	184,037	0	184,037
Intangible Assets - Indefinite Life	1,009,865	0	0	1,009,865
Total Capital Assets Not Depreciated	$ 1,984,800	$ 184,037	$ 0	$ 2,168,837
Capital Assets Depreciated:				
Buildings and Improvements	$ 16,465,156	$ 0	$ 0	$ 16,465,156
Infrastructure	27,540,763	942,306	0	28,483,069
Other Capital Assets	5,243,185	673,913	(374,377)	5,542,721
Total Capital Assets Depreciated	$ 49,249,104	$ 1,616,219	$ (374,377)	$ 50,490,946
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 2,950,504	$ 368,135	$ 0	$ 3,318,639
Infrastructure	7,269,867	90,637	0	7,360,504
Other Capital Assets	3,435,772	364,811	(363,226)	3,437,357
Total Accumulated Depreciation	$ 13,656,143	$ 823,583	$ (363,226)	$ 14,116,500
Total Capital Assets Depreciated, Net	$ 35,592,961	$ 792,636	$ (11,151)	$ 36,374,446
Governmental Activities Capital Assets, Net	$ 37,577,761	$ 976,673	$ (11,151)	$ 38,543,283

Depreciation expense was charged to functions of the governmental activities as follows:

General Government	$ 55,008
Public Safety	544,171
Public Health and Welfare	70,374
Social, Cultural, and Recreational Services	100,549
Highways/Public Works	53,481
Total Depreciation Expense - Governmental Activities	$ 823,583

Business-type Activities:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 2,052,484	$ 0	$ 0	$ 2,052,484
Construction in Progress	43,909	446,886	0	490,795
Total Capital Assets Not Depreciated	$ 2,096,393	$ 446,886	$ 0	$ 2,543,279
Capital Assets Depreciated:				
Landfill Facilities and Development	$ 5,899,539	$ 0	$ 0	$ 5,899,539
Buildings and Improvements	74,039	0	0	74,039
Other Capital Assets	2,181,487	611,345	(225,000)	2,567,832
Total Capital Assets Depreciated	$ 8,155,065	$ 611,345	$ (225,000)	$ 8,541,410
Less Accumulated Depreciation For:				
Landfill Facilities and Development	$ 1,394,885	$ 224,416	$ 0	$ 1,619,301
Buildings and Improvements	27,147	1,620	0	28,767
Other Capital Assets	1,002,171	191,091	(178,125)	1,015,137
Total Accumulated Depreciation	$ 2,424,203	$ 417,127	$ (178,125)	$ 2,663,205
Total Capital Assets Depreciatied, Net	$ 5,730,862	$ 194,218	$ (46,875)	$ 5,878,205
Business-type Activities Capital Assets, Net	$ 7,827,255	$ 641,104	$ (46,875)	$ 8,421,484

Depreciation expense of $417,127 was charged to the business-type activities.

Discretely Presented Smith County School Department

Governmental Activities:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	$ 1,230,238	$ 34,300	$ 0	$ 1,264,538
Total Capital Assets Not Depreciated	$ 1,230,238	$ 34,300	$ 0	$ 1,264,538
Capital Assets Depreciated:				
Buildings and Improvements	$ 39,052,541	$ 0	$ (26,787)	$ 39,025,754
Infrastructure	129,000	0	0	129,000
Other Capital Assets	3,136,423	92,945	(45,400)	3,183,968
Total Capital Assets Depreciated	$ 42,317,964	$ 92,945	$ (72,187)	$ 42,338,722
Less Accumulated Depreciated For:				
Buildings and Improvements	$ 13,907,744	$ 826,701	$ (21,295)	$ 14,713,150
Infrastructure	42,194	3,225	0	45,419
Other Capital Assets	1,606,532	180,332	(43,130)	1,743,734
Total Accumulated Depreciation	$ 15,556,470	$ 1,010,258	$ (64,425)	$ 16,502,303
Total Capital Assets Depreciated, Net	$ 26,761,494	$ (917,313)	$ (7,762)	$ 25,836,419
Governmental Activities Capital Assets, Net	$ 27,991,732	$ (883,013)	$ (7,762)	$ 27,100,957

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

Governmental Activities:

Instruction	$ 812,141
Support Services	198,117
Total Depreciation Expense - Governmental Activities	$ 1,010,258

C. Construction Commitments

At June 30, 2017, the county had uncompleted construction contracts of approximately $70,360 for soccer field lighting ($15,300) and basketball and tennis court renovations ($55,060). A capital outlay note was issued for the soccer field lighting. Funding for the basketball and tennis court renovations is expected to be received from state grants and the local matching share of the grants.

At June 30, 2017, the Solid Waste Disposal Fund had an uncompleted landfill expansion project and reported construction in progress of $490,795. The construction in progress represents the completed engineering and design for the expansion. At June 30, 2017, the county had not signed a contract for the construction phase of the project.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 26,149
Solid Waste Disposal	General	2,185
Discretely Presented School Department:		
Nonmajor governmental	General Purpose School	1,243

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

Due to/from Primary Government and Component Units:

Receivable	Payable	Amount
	Component Unit:	
Primary Government	School Department	$ 92,859

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In: Nonmajor Governmental Funds	Purpose
General Fund	$ 441,200	Debt Retirement

Discretely Presented Smith County School Department

Transfers Out	Transfers In: General Purpose School Fund	Purpose
Nonmajor governmental funds	$ 9,117	Indirect Costs

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

E. **Capital Lease**

On September 21, 2016, Smith County entered into a five-year lease-purchase agreement for a tractor and mower. The terms of the agreement require total lease payments of $65,300 plus interest of 5.91 percent. Title to the equipment transfers to Smith County at the end of the lease period. The lease payments are made from the Highway/Public Works Fund.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	$ 65,000
Less: Accumulated Depreciation	(5,417)
Total Book Value	$ 59,583

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

Year Ending June 30		Governmental Funds
2018	$	14,970
2019		14,970
2020		14,970
2021		14,970
2022		1,248
Total Minimum Lease Payments	$	61,128
Less: Amount Representing Interest		(6,935)
Present Value of Minimum Lease Payments	$	54,193

F. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds and other loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to 12 years for notes, and up to 20 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, notes, and other loans included in long-term debt as of June 30, 2017, will be retired from the General, Highway/Public Works, General Debt Service, and Education Debt Service funds.

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

Type	Interest Rate		Final Maturity		Original Amount of Issue		Balance 6-30-17
General Obligation Bonds	4.5	%	6-17-29	$	1,250,000	$	845,995
General Obligation Bonds - Refunding	2 to 5		6-1-30		17,245,000		14,410,000
Capital Outlay Notes	1.53 to 3.85		5-11-23		2,853,490		1,492,327
Other Loans	variable		5-25-27		2,628,599		1,394,600
Capital Leases	5.91		7-21-21		65,300		54,193

In prior years, Smith County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned $1,250,000 to Smith County for the construction of a senior/career center and an agriculture center, and $1,378,599 for the construction of a head start facility and a jail facility. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2017, the variable interest rate for each of these loans was .94 percent. Other fees based on the outstanding loan principal at June 30, 2017, totaled approximately .5 percent (letter of credit), .08 percent (remarketing), and a trustee fee of $85 per month.

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

Year Ending June 30		Bonds Principal		Interest		Total
2018	$	2,061,671	$	457,941	$	2,519,612
2019		2,144,221		371,641		2,515,862
2020		2,236,886		281,526		2,518,412
2021		2,264,671		235,241		2,499,912
2022		667,581		188,332		855,913
2023-2027		3,586,352		681,427		4,267,779
2028-2030		2,294,613		142,124		2,436,737
Total	$	15,255,995	$	2,358,232	$	17,614,227

Year Ending June 30	Notes Principal		Interest		Total
2018	$	572,349	$ 30,807	$	603,156
2019		431,750	17,412		449,162
2020		276,885	7,828		284,713
2021		109,115	2,828		111,943
2022		51,115	1,430		52,545
2023		51,113	526		51,639
Total	$	1,492,327	$ 60,831	$	1,553,158

Year Ending June 30	Other Loans Principal	Interest	Other Fees	Total
2018	$ 133,940	$ 13,109	$ 10,130	$ 157,179
2019	138,340	11,851	9,353	159,544
2020	143,910	10,550	8,550	163,010
2021	149,650	9,197	7,715	166,562
2022	155,590	7,791	6,847	170,228
2023-2027	673,170	17,298	18,832	709,300
Total	$ 1,394,600	$ 69,796	$ 61,427	$ 1,525,823

There is $353,146 available in the General Debt Service Fund and $3,854,956 available in the Education Debt Service Fund to service long-term debt. Bonded debt per capita totaled $796, based on the 2010 federal census. Total debt per capita, including bonds, notes, other loans, capital leases, and unamortized debt premiums, totaled $976, based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2016	$ 17,438,461	$ 1,076,634	$ 1,523,310
Additions	0	1,004,503	0
Reductions	(2,182,466)	(588,810)	(128,710)
Balance, June 30, 2017	$ 15,255,995	$ 1,492,327	$ 1,394,600
Balance Due Within One Year	$ 2,061,671	$ 572,349	$ 133,940

	Capital Leases		Compensated Absences		Other Postemployment Benefits
Balance, July 1, 2016	$	0 $	176,210	$	192,585
Additions		65,300	140,768		25,971
Reductions		(11,107)	(126,185)		(44,556)
Balance, June 30, 2017	$	54,193 $	190,793	$	174,000
Balance Due Within One Year	$	12,091 $	57,240	$	0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$ 18,561,908
Less: Due Within One Year	(2,837,291)
Add: Unamortized Premium on Debt	512,315
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 16,236,932

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General Fund.

Defeasance of Prior Debt

In prior years, Smith County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2017, the following outstanding bonds are considered defeased:

	Amount
2000 School Bonds	$ 3,195,000
2001 School Bonds	3,350,000

Solid Waste Disposal Fund (enterprise fund)

Notes and Other Loans

Capital outlay notes and other loans outstanding were issued for original terms of up to nine years for notes and up to 40 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 notes and other loans included in long-term debt as of June 30, 2017, will be retired from the Solid Waste Disposal Fund.

Capital outlay notes and other loans outstanding as of June 30, 2017, for business-type activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-17
Capital Outlay Notes	1.66 to 3.49 %	3-16-23	$ 5,550,352	$ 3,587,385
Other Loans	4.25	12-6-45	2,000,000	1,740,643

In prior years, Smith County entered into a loan agreement with the United States Department of Agriculture (USDA). Under this loan agreement, the USDA loaned $2,000,000 to Smith County for the construction of a recycling facility at the landfill. This loan is repayable in monthly installments at an interest rate of 4.25 percent.

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

Year Ending June 30	Notes Principal	Interest	Total
2018	$ 775,775	$ 92,700	$ 868,475
2019	775,775	72,101	847,876
2020	775,234	51,530	826,764
2021	510,438	31,497	541,935
2022	413,914	16,850	430,764
2023	336,249	5,761	342,010
Total	$ 3,587,385	$ 270,439	$ 3,857,824

Year Ending June 30	Other Loans Principal	Interest	Total
2018	$ 32,884	$ 73,436	$ 106,320
2019	34,309	72,011	106,320
2020	35,796	70,524	106,320
2021	37,347	68,973	106,320
2022	38,966	67,354	106,320
2023-2027	221,674	309,926	531,600
2028-2032	274,053	257,547	531,600
2033-2037	338,813	192,787	531,600
2038-2042	418,876	112,724	531,600
2043-2046	307,925	21,567	329,492
Total	$ 1,740,643	$ 1,246,849	$ 2,987,492

Changes in Long-term Obligations

Long-term obligations activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2017, was as follows:

Business-type Activities:

	Notes	Other Loans	Closure/ Postclosure Care Costs
Balance, July 1, 2016	$ 3,475,135	$ 1,769,473	$ 3,876,882
Additions	807,361	0	627,510
Reductions	(695,111)	(28,830)	0
Balance, June 30, 2017	$ 3,587,385	$ 1,740,643	$ 4,504,392
Balance Due Within One Year	$ 775,775	$ 32,884	$ 0

Analysis of Noncurrent Libilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$ 9,832,420
Less: Due Within One Year	(808,659)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 9,023,761

Discretely Presented Smith County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Smith County School Department for the year ended June 30, 2017, was as follows:

Governmental Activities:		Compensated Absences		Other Postemployment Benefits		Net Pension Liability - Teacher Legacy Plan
Balance, July 1, 2016	$	88,962	$	605,654	$	123,173
Additions		40,959		226,909		3,251,362
Reductions		(32,164)		(240,420)		(1,490,219)
Balance, June 30, 2017	$	97,757	$	592,143	$	1,884,316
Balance Due Within One Year	$	48,878	$	0	$	0

Analysis of Noncurrent Libilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	$	2,574,216
Less: Due Within One Year		(48,878)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$	2,525,338

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General Purpose School Fund.

G. Pledges of Receivables and Future Revenues

Wheel Tax Revenues Pledged

In 2008, Smith County voters approved an additional $15 increase in the local wheel tax that was allocated 100 percent for the repayment of county indebtedness related to the jail construction. The tax will terminate 20 years from the date of debt issuance or as soon as indebtedness is paid off. The other loans issued by Smith County in 2007 and 2008 to provide financing for jail construction totaled $10,674,186 and are payable through 2030. The $10,000,000 other loan issued in 2008 for the jail was refunded on August 20, 2015, with two general obligation refunding bonds totaling $9,215,000. The refunding loan is also payable through 2030.

Debt obligation schedules include annual principal, interest, and various other loan fee payments over the life of the debt issued. For the current year, principal, interest, and other loan fees paid by the Debt Service Fund for the jail building programs totaled $789,851.

H. On-Behalf Payments

Discretely Presented Smith County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Smith County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2017, were $67,988 and $21,913, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Smith County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2017, was as follows:

	Balance 7-1-16	Issued	Paid	Balance 6-30-17
Tax Anticipation Notes	$ 0	$ 753,589	$ (753,589)	$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Smith County government's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association. The county pays annual premiums to the pools for the risk coverage noted above. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding $100,000 for each insured event.

The county provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *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 the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Smith County School Department

It is the policy of the School Department to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, and casualty and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

B. Accounting Changes

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

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

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

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

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

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

C. Contingent Liabilities

The county is involved in several pending lawsuits. Attorneys for the county estimate that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

D. Landfill Closure/Postclosure Care Costs

Smith County has active permits on file with the state Department of Environment and Conservation for a sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated closure and 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 Smith County to place a final cover on its operating sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. $4,504,392 is reported as landfill closure and postclosure care liability at June 30, 2017. The liability at June 30, 2017, represents 77 percent use of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. Joint Venture

The Fifteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fifteenth Judicial District, Smith, Jackson, Wilson, and Trousdale counties, and the police chiefs of the cities of Carthage and Lafayette. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Smith County made no contributions to the DTF for the year ended June 30, 2017, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General
Fifteenth Judicial District
203 Greentop Street
Hartsville, TN 37074

F. Jointly Governed Organization

The Nashville and Eastern Railroad Authority was created according to an act of the Tennessee Legislature in 1983 to purchase the property, track, and roadbed along approximately 130 miles in Davidson, Wilson, Smith, and Putnam counties from Seaboard System Railroad, Inc. The business of the authority is conducted by a board of directors whose members are appointed by the governing bodies of the cities and counties of service. The authority's primary source of revenue is rehabilitation contracts with the Tennessee Department of Transportation. The counties do not have any ongoing financial interest or responsibility for the entity. Complete financial statements for the authority can be obtained at the following address:

Nashville and Eastern Railroad Authority
206 South Maple Street
Lebanon, TN 37087

G. <u>Retirement Commitments</u>

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

<u>Primary Government</u>

General Information About the Pension Plan

Plan Description. Employees of Smith County and non-certified employees of the discretely presented Smith County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 64.34 percent and the non-certified employees of the discretely presented School Department comprised 35.66 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, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	122
Inactive Employees Entitled to But Not Yet Receiving Benefits	291
Active Employees	316
Total	729

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. Smith County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for Smith County was $588,658 based on a rate of 7.15 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Smith County's state shared taxes if required employer contributions are not remitted. The employer's Actuarial Determined Contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

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

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
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, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2015	$ 17,485,422	$ 18,290,841	$ (805,419)
Changes for the year:			
Service Cost	$ 717,506	$ 0	$ 717,506
Interest	1,334,107	0	1,334,107
Differences Between Expected and Actual Experience	(427,979)	0	(427,979)
Contributions-Employer	0	566,282	(566,282)
Contributions-Employees	0	399,685	(399,685)
Net Investment Income	0	486,744	(486,744)
Benefit Payments, Including Refunds of Employee Contributions	(829,673)	(829,673)	0
Administrative Expense	0	(24,091)	24,091
Other Changes	0	1,318	(1,318)
Net Changes	$ 793,961	$ 600,265	$ 193,696
Balance, June 30, 2016	$ 18,279,383	$ 18,891,106	$ (611,723)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	64.34%	$ 11,760,955	$ 12,154,538	$ (393,583)
School Department	35.66%	6,518,428	6,736,568	(218,140)
Total		$ 18,279,383	$ 18,891,106	$ (611,723)

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

Smith County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 1,755,423	$ (611,723)	$ (2,573,086)

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

Pension Expense. For the year ended June 30, 2017, Smith County recognized pension expense of $202,736.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, Smith 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	$ 665,204
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	630,130	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	588,658	N/A
Total	$ 1,218,788	$ 665,204

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	$ 770,645	$ 427,992
School Department	448,143	237,212
Total	$ 1,218,788	$ 665,204

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

Year Ending June 30	Amount
2018	$ (95,895)
2019	(95,895)
2020	179,661
2021	48,379
2022	(71,330)
Thereafter	0

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

Discretely Presented Smith County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Smith County, non-certified employees of the discretely presented Smith 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 64.34 percent and the non-certified employees of the discretely presented School Department comprise 35.66 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Smith 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, 2017, to the Teacher Retirement Plan were $48,212, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2017, the Smith County School Department reported an asset of $18,531 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Smith County School Department's proportion of the net pension asset was based on the Smith County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Smith County School Department's proportion was .178003 percent. The revised proportion measured at June 30, 2015, was .197082 percent.

Pension Expense. For the year ended June 30, 2017, the Smith County School Department recognized pension expense of $15,559.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Smith 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	$ 1,796	$ 2,137
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,034	0
Changes in Proportion of Net Pension Liability (Asset)	535	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	48,212	N/A
Total	$ 53,577	$ 2,137

The Smith County School Department's employer contributions of $48,212, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ 795
2019	795
2020	795
2021	650
2022	0
Thereafter	194

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

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

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

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

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

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the 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 Smith 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 Smith 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	$ 8,750	$ (18,531)	$ (38,631)

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 Smith 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 Smith County School Department for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were $953,681, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liability (Assets). At June 30, 2017, the Smith County School Department reported a liability of $1,884,316 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Smith County School Department's proportion of the net pension liability (asset) was based on the Smith County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Smith County School Department's proportion was .301517 percent. The proportion measured at June 30, 2015, was .300690 percent.

Pension Expense. For the year ended June 30, 2017, the Smith County School Department recognized pension expense of $229,569.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Smith 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	$ 79,299	$ 2,281,283
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,103,865	0
Changes in Proportion of Net Pension Liability (Asset)	41,014	9,743
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	953,681	N/A
Total	$ 3,177,859	$ 2,291,026

The Smith County School Department's employer contributions of $953,681 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ (345,082)
2019	(345,082)
2020	664,140
2021	106,581
2022	(147,404)
Thereafter	0

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

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

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

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

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

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

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

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

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

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Smith 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 Smith 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	$ 10,347,105	$ 1,884,316	$ (5,125,876)

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

2. **Deferred Compensation**

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

Teachers hired after July 1, 2014, by the discretely presented Smith County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Smith County School Department has assumed a portion of the costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Smith County School Department contributed $59,810 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

H. Other Postemployment Benefits (OPEB)

Plan Description

Smith County and the School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group 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 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 https://www.tn.gov/finance/fa/fa-accounting-financial/fa-accfin-cafr.html.

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. During the year, Smith County and the School Department contributed $5,606 and $240,420, respectively, to other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	$ 26,000	$ 227,000
Interest on the NOPEBO	7,222	22,712
Adjustment to the ARC	(7,251)	(22,803)
Annual OPEB cost	$ 25,971	$ 226,909
Amount of contribution	(5,606)	(240,420)
Increase/decrease in NOPEBO	$ 20,365	$ (13,511)
Adjustment to align ARC with AAL	(38,950)	0
Net OPEB obligation, 7-1-16	192,585	605,654
Net OPEB obligation, 6-30-17	$ 174,000	$ 592,143

Fiscal Year Ended	Plans		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation at Year End
PRIMARY GOVERNMENT						
6-30-15	Local Government Group	$	15,167	41 %	$	171,101
6-30-16	"		24,974	14		192,585
6-30-17	"		25,971	22		174,000
DISCRETELY PRESENTED SMITH COUNTY SCHOOL DEPARTMENT						
6-30-15	Local Education Group		190,581	93		577,717
6-30-16	"		219,913	87		605,654
6-30-17	"		226,909	106		592,143

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)	$	174,000	$	2,189,000
Actuarial value of plan assets	$	0	$	0
Unfunded actuarial accrued liability (UAAL)	$	174,000	$	2,189,000
Actuarial value of assets as a % of the AAL		0%		0%
Covered payroll (active plan members)	$	4,507,126	$	14,917,962
UAAL as a % of covered payroll		4%		15%

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

Actuarial Methods and Assumptions

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

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

I. Purchasing Laws

Office of County Mayor

During the year, purchasing procedures for the Office of County Mayor were governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated* (*TCA*), which provide for all purchases exceeding $10,000 (except for emergency purchases) to be made after public advertisement and solicitation of competitive bids.

Office of Road Commissioner

During the year, purchasing procedures for the Highway Department were governed by the Uniform Road Law, Section 54-7-113, *TCA*, which provides for purchases of $10,000 or more to be made after public advertisement and solicitation of competitive bids.

Office of Director of Schools

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

J. Office of Central Accounting, Budgeting, and Purchasing

Smith County adopted the provisions of the Fiscal Control Acts of 1957 on June 26, 2017. The county implemented the 1957 Acts during September 2017. These acts provide for a central system of accounting, budgeting, and purchasing covering all funds administered by the county mayor and road commissioner. These funds are maintained in the Office of Central Accounting, Budgeting, and Purchasing under the supervision of the director of accounts and budgets.

K. Subsequent Events

On September 5, 2017, the county issued a capital outlay note of $503,796 for four dump trucks.

On September 11, 2017, Daisy Denton was appointed as the county's director of accounts and budgets under the Fiscal Control Acts of 1957.

On September 14, 2017, the county's Education Debt Service Fund issued a $1,000,000 tax anticipation note to the General Fund.

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.