

NEW ISSUE
Book-Entry-Only

PRELIMINARY OFFICIAL STATEMENT

\$7,350,000*

HAYWOOD COUNTY, TENNESSEE **General Obligation Refunding Bonds, Series 2015**

OFFERED FOR SALE NOT SOONER THAN

Wednesday, May 13, 2015 at 10:15 a.m., E.D.T.
Through the Facilities of *PARITY*[®]

at the
OFFICES OF
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Financial Advisor

May 01, 2015

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 01, 2015

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

\$7,350,000*

HAYWOOD COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2015

Dated: Date of delivery (assume May 29, 2015).

Due: June 1 (as shown below)

The \$7,350,000* General Obligation Refunding Bonds, Series 2015 (the "Bonds") of Haywood County, Tennessee (the "County" or the "Issuer") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2015 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the principal corporate trust office of the Registration Agent.

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

The Bonds maturing on or after June 1, 2021 are subject to optional redemption prior to maturity on or after June 1, 2020, as described herein.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2016	\$ 105,000				2023	\$440,000			
2017	430,000				2024	455,000			
2018	425,000				2025	470,000			
2019	1,045,000				2026	465,000			
2020	1,040,000				2027	480,000			
2021	1,070,000				2028	500,000			
2022	425,000								

(Accrued Interest to be added)

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the County by Michael Banks, Brownsville, Tennessee, County Attorney. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about May __, 2015.

Cumberland Securities Company, Inc.
Financial Advisor

May __, 2015

* Preliminary, subject to change

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

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

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

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

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

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

HAYWOOD COUNTY, TENNESSEE

OFFICIALS

County Mayor
County Clerk
County Attorney

A. Franklin Smith
Sonya Castellaw
Michael Banks

BOARD OF COUNTY COMMISSIONERS

Joe Barden	Chris Lea
Becky Booth	James Morgan
Kathy Chapman	Allan O'Quinn
Wally Eubanks	Jefferey Richmond
John P. Gorman, Jr.	Janice Rogers
Robert Green	Freddy Smith
Sheronda Green	Jerry L. Smith
Richard Jameson	Larry Stanley
Leonard Jones	Joe Stephens
Allen King	Marjorie Vault

BOND COUNSEL

Glankler Brown, PLLC
Memphis, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

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

- The IssuerHaywood County, Tennessee (the “County” or “Issuer”). See the section entitled “Supplemental Information Statement” for more information.
- Securities Offered.....\$7,350,000* General Obligation Refunding Bonds, Series 2015 (the “Bonds”) of the County, dated the date of delivery (estimated to be May 29, 2015). The Bonds will mature each June 1 beginning June 1, 2016 through June 1, 2028, inclusive. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
- Security.....The Bonds 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 Bonds, the full faith and credit of the County are hereby irrevocably pledged.
- PurposeThe Bonds are being issued for the purposes of providing funds (i) to refinancing, in whole or in part, the Outstanding Bonds of the County, as described herein, and (ii) to pay costs incident to the issuance and sale of its general obligation bonds to be issued for such purposes.
- Optional RedemptionThe Bonds are subject to optional redemption prior to maturity on or after June 1, 2020, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
- Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer, and estate taxes and Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
- Bank Qualification.....The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
- Rating.....Standard & Poor’s: “A+”. See the section entitled “MISCELLANEOUS - Rating” for more information.
- Underwriter....., _____, _____.
- Financial AdvisorCumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parties Other”, herein.
- Bond CounselGlankler Brown, PLLC, Memphis, Tennessee.

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

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

GeneralThe Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

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

Other InformationThe information in this *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the County or this *Preliminary Official Statement* contact The Honorable A. Franklin Smith, County Mayor, 1 N. Washington, Brownsville, TN 38012, Telephone: (731) 658-3266, or the County's Financial Advisor, Cumberland Securities Company, Inc., 813 S. Northshore Drive, Suite 201A, Knoxville, Tennessee 37919, Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

GENERAL FUND BALANCES

Summary of Changes In Fund Balances
For the Fiscal Year Ended June 30

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Beginning Fund Balance	\$2,357,441	\$2,055,446	\$1,944,967	\$2,714,772	\$2,987,958
Revenues	9,783,548	10,253,059	10,856,049	10,658,089	10,878,936
Expenditures	10,019,011	10,486,191	10,109,961	10,493,488	10,547,387
Excess (Deficiency) of Revenues Over Expenditures	(235,463)	(233,132)	746,088	164,601	331,549
Capital Leases Issued	-	93,625	3,092	100,085	-
Insurance Recovery	2,886	29,028	20,625	-	186,004
Transfers In	-	-	-	-	-
Transfers Out	(69,418)	-	-	-	-
Ending Fund Balance	<u>\$2,055,446</u>	<u>\$1,944,967</u>	<u>\$2,714,772</u>	<u>\$2,987,958</u>	<u>\$3,505,511</u>

Source: Comprehensive Annual Financial Reports of the County.

NOTICE OF SALE

\$7,350,000*

HAYWOOD COUNTY, TENNESSEE

General Obligation Refunding Bonds, Series 2015

NOTICE IS HEREBY GIVEN that the County Mayor of Haywood County, Tennessee (the “County” or “Issuer”) will receive electronic or written sealed bids for the purchase of all, but not less than all, of the County’s \$7,350,000* General Obligation Refunding Bonds, Series 2015 (the “Bonds”) at the office of the County’s Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee, until **10:15 a.m. E.D.T. on Wednesday, May 13, 2015**. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the *PARITY*[®] System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the *PARITY*[®] System.

Electronic bids must be submitted through *PARITY*[®] via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by *PARITY*[®] shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in *PARITY*[®] conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry form (except as otherwise described in the “Detailed Notice of Sale”) and dated their date of issuance and delivery (assume May 29, 2015) and will mature on June 1, 2016 through June 1, 2028, inclusive with term bonds optional, and will be subject to optional redemption prior to maturity on or after June 1, 2020. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the County Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained from the undersigned The Honorable A. Franklin Smith, County Mayor, 1 N. Washington, Brownsville, TN 38012, Telephone: (731) 658-3266 or from the County’s Financial Advisor, Cumberland Securities Company, Inc., 813 S. Northshore Drive, Suite 201A, Knoxville, Tennessee 37919, (865) 988-2663. Further information regarding *PARITY*[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York, 10018, Telephone: 212-849-5000.

/s/ A. Franklin Smith
County Mayor

DETAILED NOTICE OF SALE

\$7,350,000*

HAYWOOD COUNTY, TENNESSEE

General Obligation Refunding Bonds, Series 2015

NOTICE IS HEREBY GIVEN that electronic or sealed written bids will be received by the County Mayor of Haywood County, TENNESSEE (the “County” or “Issuer”), all or none, until 10:15 a.m. E.D.T. on Wednesday, May 13, 2015 (or at such later time and date announced at least forty-eight hours in advance via Bloomberg News Service or the **PARITY**[®] system) for the purchase of \$7,350,000* General Obligation Refunding Bonds, Series 2015 (the “Bonds”). Electronic bids must be submitted through **PARITY**[®] as described in this “Detailed Notice of Sale.” In case of written sealed bids, bids will be received at the office of the County’s Financial Advisor, Cumberland Securities Company, Inc., 813 S. Northshore Drive, Suite 201A, Knoxville, Tennessee 37919. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**[®] System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY**[®] System.

Description of the Bonds. The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2015.

The Bonds will mature and be payable on June 1 of each year as outlined below:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2016	\$ 105,000	2023	\$440,000
2017	430,000	2024	455,000
2018	425,000	2025	470,000
2019	1,045,000	2026	465,000
2020	1,040,000	2027	480,000
2021	1,070,000	2028	500,000
2022	425,000		

Bank Qualification. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One or more fully-registered bond certificates (the “Bond Certificates”) will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC, pursuant to rules and

procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity, to DTC or its nominee, as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-Entry-Only system is not required.

In the event that the Book-Entry-Only only system for the Bonds is discontinued and a successor securities depository is not appointed by the County, Bond Certificates in fully registered form will be delivered to, and registered in the names of the DTC participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the County and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds 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 Bonds, the full faith and credit of the County are hereby irrevocably pledged.

Purpose. The Bonds are being issued for the purposes of providing funds (i) to refinancing, in whole or in part, the Outstanding Bonds of the County, as described herein, and (ii) to pay costs incident to the issuance and sale of its general obligation bonds to be issued for such purposes.

Optional Redemption. The Bonds maturing on and after June 1, 2021 will be subject to optional redemption prior to maturity at the option of the County on and after June 1, 2020 at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such series of Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the County at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the same manner as above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The County will receive electronic or sealed written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate

shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par.

Bidders may designate two or more consecutive serial maturities of the Bonds as one or more Term Bond maturities equal in aggregate principal amount to, and with mandatory redemption requirements corresponding to, such designated serial maturities.

Electronic bids must be submitted through **PARITY**[®] via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The County will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**[®] conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**[®] shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, sealed written bid delivered to the County. The County shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**[®]. The use of **PARITY**[®] facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**[®], potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the County's Financial Advisor, Cumberland Securities Company, Inc., at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The County and the Financial Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written sealed bids should be submitted in a sealed envelope marked "Bid for Bonds" at the offices of the County's Financial Advisor, 350 Lighthouse Pointe Dr., Lenoir City, TN 37772. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the County to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor of the County to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the County Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

The County reserves the right to reject all bids and to waive informalities in the bids accepted.

Adjustment and/or Revision. While it is the County's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the County Mayor reserves the right, in his

sole discretion, to adjust down the original par amount of the Bonds by up to \$1,250,000. The primary factor in determining the amount of any adjustment shall be the premium, if any, that is bid. Among other factors the County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the amount of premium bid and size of individual maturities or sinking fund installments and/or other preferences of the County. Additionally, the County Mayor reserves the right to change the dated date of the Bonds. The maximum adjustment will only be needed if the maximum bid is received.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Financial Advisor (via wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the County's Financial Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the County as liquidated damages.

In the event of the failure of the County to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Reoffering Prices; Other Information. The successful bidder must furnish the following information to the County to complete the *Official Statement* in final form within two (2) hours after receipt and award of the bid for the Bonds:

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. Selling compensation (aggregate total anticipated compensation to the underwriter(s) expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and
4. Any other material information necessary to complete the *Official Statement* in final form but not known to the County.

In addition, within two hours of the award of the Bonds, the successful bidder shall furnish to the County a certificate acceptable to Bond Counsel stating: (i) the reoffering prices (as shown in the bidder's winning bid); (ii) that the successful bidder will make a bona fide public offering of all of the Bonds at such reoffering prices; and (iii) that the successful bidder reasonably expects that the Bonds (or at least 10% of

each maturity of the Bonds) will be sold to the public (excluding bond houses, brokers and other intermediaries) at those reoffering prices.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the County confirming that nothing has come to the bidder's attention that would lead it to believe that its certification with respect to the reoffering prices of the Bonds given in connection with the award of the Bonds is inaccurate, and addressing such other matters as to the reoffering prices of the Bonds as bond counsel may request.

Legal Opinion. The unqualified approving opinion of Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the County. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax imposed on individuals and corporations; and is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the County will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after each of the County's fiscal years, (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the County to be material under applicable federal securities laws. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system (the "EMMA") and any State Information Depository established in the State of Tennessee (the "SID"). If the County is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the County either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of material events will be summarized in the County's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given the successful bidder. Delivery will be made in book-entry form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds. Delivery is currently expected on or about May 29, 2015.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the County. The County will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The County has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The County will furnish the successful bidder at the expense of the County a reasonable number of copies of *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder(s) to the persons to whom such bidder and members of

its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the County and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from The Honorable A. Franklin Smith, County Mayor or the County's Financial Advisor, Cumberland Securities Company, Inc., 813 S. Northshore Drive, Suite 201A, Knoxville, Tennessee 37919, Telephone: 865-988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ A. Franklin Smith, County Mayor

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BID FORM
(Written Alternative)

Honorable A. Franklin Smith, County Mayor
1 N. Washington
Brownsville, TN 38012

May 13, 2015

Dear Mayor Smith:

For your legally issued, properly executed \$7,350,000* General Obligation Refunding Bonds, Series 2015 (the "Bonds") of Haywood County, Tennessee (the "County") in all respects as more fully outlined in your Notices of Sale which by reference are made a part hereof, we will pay you a sum of _____.

The Bonds shall be dated the date of delivery (assume May 29, 2015) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2016	\$ 105,000	_____ %	2023	\$440,000	_____ %
2017	430,000	_____ %	2024	455,000	_____ %
2018	425,000	_____ %	2025	470,000	_____ %
2019	1,045,000	_____ %	2026	465,000	_____ %
2020	1,040,000	_____ %	2027	480,000	_____ %
2021	1,070,000	_____ %	2028	500,000	_____ %
2022	425,000	_____ %			

We have the option to designate two or more consecutive serial maturities of the Bonds as term bond maturities as indicated:

- Term Bond 1: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 2: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 3: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 4: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 5: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.
- Term Bond 6: Maturities from June 1, 20_____ through June 1, 20_____ @ _____ %.

It is our understanding that the Bonds will be issued as "qualified tax-exempt obligations" subject to the final approving opinion of Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee, whose opinion together with the executed Bonds, will be furnished by the County without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the aggregate principal amount of the Bonds on which we have bid by the close of business on the date of the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

Accepted for and on behalf of the
Haywood County, Tennessee, this
13th day of May 2015.

Respectfully submitted,

A. Franklin Smith, County Mayor

Total interest cost from
May 29, 2015 to final maturity \$ _____
Less: Premium /plus discount, if any \$ _____
Net Interest Cost..... \$ _____
True Interest Rate _____ %

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

* Preliminary, subject to change.

\$7,350,000*
HAYWOOD COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2015

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Haywood County, Tennessee (the “County” or “Issuer”) of its \$7,350,000* General Obligation Refunding Bonds, Series 2015 (the “Bonds”).

The Bonds 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 bond resolution (the “Resolution”) duly adopted by the County Commission of the County on February 16, 2015.

The Bonds are being issued for the purposes of providing funds (i) to refinancing, in whole or in part, the Outstanding Bonds of the County, as described herein, and (ii) to pay costs incident to the issuance and sale of its general obligation bonds to be issued for such purposes.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from their date of issuance and delivery (assume May 29, 2015). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2015. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

REFUNDING PLAN

The Bonds are being issued to refinance all or a portion of the following (i) General Obligation Bonds, Series 2007, dated December 20, 2007, maturing June 1, 2017 through June 1, 2028 in the outstanding principal amount of \$5,000,000 to the June 1, 2016 redemption date of par plus accrued interest and (ii) General Obligation Bonds, Series 2008, dated December 23, 2008, maturing June 1, 2019 through June 1, 2021 in the outstanding principal amount of \$1,850,000 to the June 1, 2017 redemption date of par plus accrued interest (collectively, the “Outstanding Bonds”).

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the "Plan") for the Outstanding Bonds was submitted to the Director of State and Local Finance for review and that office's report on the Plan was submitted to the County.

SECURITY

The Bonds 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 Bonds, the full faith and credit of the County are hereby irrevocably pledged.

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

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Souther & Newhouse, PC, Knoxville, Tennessee, a firm of independent arbitrage consultants, will deliver to the County, on or before the settlement date of the Bonds, its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the County and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrow Investments to pay, when due, the principal of, premium, and interest on the Outstanding Bonds and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder. The examinations performed by Souther & Newhouse, PC will be solely based upon data, information and documents provided to it by the County and its representatives. Souther & Newhouse, PC report of its examination will state that it has no obligation to update the report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

representations and covenants of the County as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION OF THE BONDS

Bonds maturing on June 1, 2021 and thereafter shall be subject to optional redemption prior to maturity at the option of the County on June 1, 2020 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

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

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

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

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and

after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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*Final Maturity

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Bond Registration and Paying Agent, Regions Bank, Nashville, Tennessee, its successor (the “Registration Agent”) or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as denoted in the following section titled “Book-Entry-Only System”. However, if the winning bidder certifies to the County that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry System is not required.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the County determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the

occurrence of the event described above, the County will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

- (a) all accrued interest shall be deposited into the Bond Fund of the Issuer and used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
- (b) the Issuer shall pay, or cause to be paid, all costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Registration Agent fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Bonds; and
- (c) the balance of the proceeds will be used for the purpose of providing for the payment of the principal of and interest on the Refunded Obligations, the County Mayor is hereby authorized and directed to execute and the County Clerk to attest on behalf of the Issuer a refunding escrow agreement (the "Refunding Escrow Agreement") with Regions Bank, Nashville, Tennessee as the escrow agent (the "Escrow Agent") and to deposit with the Escrow Agent all or a portion of the Bond proceeds and other funds of the Issuer legally available therefor. Said funds will be used by the Escrow Agent to purchase the Permitted Securities as provided in the Refunding Escrow Agreement; provided, however, that the yield on such investments shall be determined in such manner that none of the Bonds will be an "arbitrage bond" within the meaning of Section 148(a) of the Code. The Escrow Agent is hereby authorized to hold and administer all funds deposited in trust for the payment when due of principal of and interest on the Refunded Obligations and to exercise the duties set

forth in the Refunding Escrow Agreement. The County Commission of the Issuer has authorized the County Mayor to subscribe for the purchase of Permitted Securities for deposit pursuant to the Refunding Escrow Agreement.

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be

required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

The Internal Revenue Code of 1986, as amended (the "Code"), imposes requirements on the Bonds that the County must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the County does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The County has covenanted to do everything necessary to meet these requirements of the Code.

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

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

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

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

Bonds or affect the market price of the Bonds. See also "Proposed Legislation and Other Matters" below in this heading.

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

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

Standard & Poor's ("S&P") has given the Bonds the rating of "A+".

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

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

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on May 13, 2015. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 1, 2015.

The successful bidder for the Bonds was an account led by _____, _____, _____ (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$_____ (consisting of the par amount of the Bonds, less an underwriter's discount of \$_____ and an original issue discount of \$_____) or ____% of par plus accrued interest, if any, to the date of delivery.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee has been employed by the County to serve as its Financial Advisor. The Financial Advisor is an independently owned financial advisory firm.

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

In instances where the Bank serves the County in other normal commercial banking capacities, it will be compensated separately for such services.

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt at this time.

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a continuing disclosure certificate (the "Disclosure Certificate") under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2015 (the "Annual Report"), and to provide

notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org 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 and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the bonds or the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating downgrades of the various bonds or the insurance companies which insured each transaction were made or made in a timely manner as required by SEC Rule 15c2-2. With the exception of the foregoing, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-7;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-8 and B-9;
3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as show on page B-10;
4. The fund balances and retained earnings for the fiscal year as shown on page B-11;
5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-12;
6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-14;

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-15; and
9. The ten largest taxpayers as shown on page B-15.

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. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

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

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

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

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

The County has deemed this PRELIMINARY OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-12(b) of the U.S. Securities and Exchange Commission

except for the omission of certain pricing information allowed to be omitted pursuant to 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/
County Mayor

ATTEST:

/s/
County Clerk

APPENDIX A

PROPOSED FORM OF LEGAL OPINION

[LETTERHEAD OF GLANKLER BROWN, PLLC]

(Date of Closing)

Board of County Commissioners
of Haywood County, Tennessee
1 North Washington Street
Brownsville, Tennessee 38012

**Re: \$8,100,000 General Obligation Refunding Bonds, Series 2015 of
Haywood County, Tennessee**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Haywood County, Tennessee (the "County"), of \$8,100,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2015 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

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

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

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as

defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. Except as set forth in this Paragraph 2 and in Paragraph 4 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

Very truly yours,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

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

GENERAL

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

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

TRANSPORTATION

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

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

EDUCATION

The *Haywood County School System* has nine schools: six elementary schools, one middle school and two high schools. The fall 2013 enrollment was 3,210 students with 185 teachers. Director of Schools, who answers to the five members who serve as Haywood County Schools Board members, manages the school system.

Source: Tennessee Department of Education.

The Tennessee Technology Center at Whiteville. The Tennessee Technology Center at Whiteville is part of a statewide system of 26 vocational-technical schools. The Tennessee

Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Whiteville serves the southwest region of the state including Hardeman, Haywood and Fayette Counties. The Technology Center at Whiteville began operations in 1976, and the main campus is located in Hardeman County. Fall 2012 enrollment was 532 students.

Source: Tennessee Technology Center at Whiteville.

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

HEALTHCARE

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

Source: Community Health Systems.

POWER PRODUCTION

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

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

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

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

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

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

I-40 Advantage Auto Park. In 2008 a 1,700+-acre site in the county has been certified as a “megasite” or large industrial property suitable for a major automotive manufacturing facility or related industry. The Haywood County site, known as the I-40 Advantage Auto Park, is located north of Interstate 40, 20 minutes east of the Memphis, Tennessee, suburbs. The site is easily accessible from Memphis, Bartlett, Collierville, Germantown, Jackson and other West Tennessee cities. Construction on the infrastructure, including the relocation of Highway 222 and a new exit off I-40, began in the fall of 2013. The site is bounded on the north by U. S. Highway 70/79 and CSX Railroad and on the south by Interstate 40.

Source: The Jackson Sun Fact Book.

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

Major Employers in Haywood County

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

Source: West Tennessee Industrial Association - 2014.

EMPLOYMENT INFORMATION

Unemployment in the Haywood County as of January 2015 stood at 10.8%, representing 6,840 persons employed out of a labor force of 7,670. The chart below depicts unemployment trends in the County for the last five years.

Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	9.6%	8.9%	8.1%	7.4%	6.2%
Tennessee	9.7%	9.2%	8.0%	8.2%	6.7%
Haywood County	15.2%	13.6%	11.2%	11.8%	9.9%
Index vs. National	158	153	138	159	160
Index vs. State	157	148	139	144	148

Source: Tennessee Department of Labor and Workforce Development.

ECONOMIC DATA

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

Per Capita Personal Income

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
National	\$39,379	\$40,144	\$42,332	\$44,200	\$44,765
Tennessee	\$34,439	\$35,426	\$37,151	\$39,002	\$39,558
Haywood County	\$31,766	\$31,074	\$32,554	\$34,481	\$36,970
Index vs. National	81	77	77	78	83
Index vs. State	92	88	88	88	93

Source: Bureau of Economic Analysis.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Haywood County</u>	<u>Brownsville</u>
Median Value Owner Occupied Housing	\$176,700	\$139,200	\$94,500	\$92,100
% High School Graduates or Higher Persons 25 Years Old and Older	86.00%	84.40%	75.9%	77.0%
% Persons with Income Below Poverty Level	15.40%	17.60%	21.1%	22.5%
Median Household Income	\$53,046	\$44,298	\$34,542	\$30,858

Source: U.S. Census Bureau State & County QuickFacts - 2013.

RECREATION

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

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

Source: U.S. Fish & Wildlife Service.

RECENT DEVELOPMENTS

West Tennessee Solar Farm. A \$31 million solar farm in Haywood County was completed in the spring of 2012. The five-megawatt, 30-acre power generation facility is one of the largest in the Southeast. The farm consists of more than 20,000 silicon-based photovoltaic modules, expected to produce more than 7,000 megawatt hours of electricity annually. The University of Tennessee is overseeing planning, operation and management of the solar farm for the Department of Economic and Community Development.

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HAYWOOD COUNTY, TENNESSEE
SUMMARY OF LONG TERM INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2014 OUTSTANDING
\$ 560,000	(2) General Obligation Bonds, Series 1998	2038	Fixed	\$ 447,252
5,000,000	General Obligation Bonds, Series 2007	June 2028	Fixed	5,000,000
4,425,000	General Obligation Bonds, Series 2008	June 2021	Fixed	3,450,000
300,000	General Obligation Bonds, Series 2008 (Landfill)	2024	Fixed	221,028
3,400,000	General Obligation Refunding Bonds, Series 2009A	June 2016	Fixed	1,025,000
5,575,000	General Obligation Bonds, Series 2010 (BABs)	June 2030	Fixed	5,575,000
2,000,000	Loan Agreement (EESI Loan)	2022	Zero	1,749,995
1,509,000	Loan Agreement, Series 2011 (TMBF)	May 2027	Variable	1,347,000
<u>\$ 22,769,000</u>	TOTAL BONDED DEBT			<u>\$ 18,815,275</u>
\$ 7,350,000	General Obligation Refunding Bonds, Series 2015	June 1, 2028	Fixed	\$ 7,350,000
<u>(6,850,000)</u>	Less: Bonds Being Refunded (Series 2007 Bonds and Series 2008 Bonds)			<u>(6,850,000)</u>
<u>\$ 23,269,000</u>	NET LONG TERM INDEBTEDNESS			<u>\$ 19,315,275</u>

NOTES:

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

(2) Supported by Water System Revenues.

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

HAYWOOD COUNTY, TENNESSEE
INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

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

	For Fiscal Years Ended June 30					After Issuance
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds, Notes & Leases	\$15,092,124	\$17,895,492	\$20,696,144	\$19,844,854	\$18,815,275	\$19,315,275
TOTAL TAX SUPPORTED	<u>\$15,092,124</u>	<u>\$17,895,492</u>	<u>\$20,696,144</u>	<u>\$19,844,854</u>	<u>\$18,815,275</u>	<u>\$19,315,275</u>
TOTAL DEBT	\$15,092,124	\$17,895,492	\$20,696,144	\$19,844,854	\$18,815,275	\$19,315,275
Less: Debt Service Funds	(2,715,248)	(2,197,970)	(2,686,888)	(2,896,605)	(2,744,155)	(2,744,155)
NET DIRECT DEBT	<u>\$12,376,876</u>	<u>\$15,697,522</u>	<u>\$18,009,256</u>	<u>\$16,948,249</u>	<u>\$16,071,120</u>	<u>\$16,571,120</u>

PROPERTY TAX BASE						
Estimated Actual Value	\$1,336,861,716	\$1,332,375,076	\$1,338,376,201	\$1,270,579,451	\$1,387,673,806	\$1,395,277,149
Appraised Value	1,252,238,369	1,243,105,946	1,248,704,996	1,185,450,628	1,387,673,806	1,395,277,149
Assessed Value	364,233,328	361,557,287	362,566,449	369,919,589	400,910,847	402,337,891

	For Fiscal Years Ended June 30					After
	2010	2011	2012	2013	2014	2015
DEBT RATIOS						
TOTAL DEBT to Estimated Actual Value	1.13%	1.34%	1.55%	1.56%	1.36%	1.38%
TOTAL DEBT to Appraised Value	1.21%	1.44%	1.66%	1.67%	1.36%	1.38%
TOTAL DEBT to Assessed Value	4.14%	4.95%	5.71%	5.36%	4.69%	4.80%
NET DIRECT DEBT to Estimated Actual Value	0.93%	1.18%	1.35%	1.33%	1.16%	1.19%
NET DIRECT DEBT to Appraised Value	0.99%	1.26%	1.44%	1.43%	1.16%	1.19%
NET DIRECT DEBT to Assessed Value	3.40%	4.34%	4.97%	4.58%	4.01%	4.12%
PER CAPITA RATIOS						
POPULATION (1)	18,787	18,519	18,270	18,218	18,185	18,185
PER CAPITA PERSONAL INCOME (2)	\$31,074	\$32,554	\$34,481	\$36,970	\$36,970	\$36,970
Estimated Actual Value to POPULATION	\$71,159	\$71,946	\$73,255	\$69,743	\$76,309	\$76,727
Assessed Value to POPULATION	\$19,388	\$19,524	\$19,845	\$20,305	\$22,046	\$22,125
Total Debt to POPULATION	\$803	\$966	\$1,133	\$1,089	\$1,035	\$1,062
Net Direct Debt to POPULATION	\$659	\$848	\$986	\$930	\$884	\$911
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.59%	2.97%	3.29%	2.95%	2.80%	2.87%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.12%	2.60%	2.86%	2.52%	2.39%	2.46%

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

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

HAYWOOD COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS

F. Y. Ended	Existing G.O. Debt As of June 30, 2014 (1)			General Obligation Refunding Bonds, Series 2015			Less: Refunded Bonds			Total Bonded Debt Service Requirements (1),(2)			% All Principal Repaid	
	Principal	Interest (2)	Est. Rebate (3)	Principal	Interest (4)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	Est. Rebate (3)		TOTAL
2015	\$ 1,065,808	\$ 736,002	\$ (95,425)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,065,808	\$ 736,002	\$ (95,425)	\$ 1,726,385	5.52%
2016	1,085,146	724,661	(95,425)	105,000	122,861	227,861	-	(278,263)	(278,263)	1,190,146	569,259	(95,425)	1,663,980	
2017	1,169,550	692,068	(95,425)	430,000	121,658	551,658	(325,000)	(278,263)	(603,263)	1,274,550	535,463	(95,425)	1,714,588	
2018	1,225,023	653,290	(95,425)	425,000	118,433	543,433	(325,000)	(265,263)	(590,263)	1,325,023	506,460	(95,425)	1,735,058	
2019	1,279,562	612,078	(95,425)	1,045,000	114,183	1,159,183	(950,000)	(252,263)	(1,202,263)	1,374,562	473,998	(95,425)	1,755,134	32.25%
2020	1,310,175	568,073	(95,425)	1,040,000	101,120	1,141,120	(975,000)	(213,663)	(1,188,663)	1,375,175	455,531	(95,425)	1,735,280	
2021	1,365,862	522,284	(95,425)	1,070,000	85,520	1,155,520	(1,025,000)	(173,463)	(1,198,463)	1,410,862	434,341	(95,425)	1,749,778	
2022	1,176,628	473,406	(95,425)	425,000	67,865	492,865	(400,000)	(130,513)	(530,513)	1,201,628	410,759	(95,425)	1,516,962	
2023	1,168,435	430,861	(88,791)	440,000	60,640	500,640	(425,000)	(114,513)	(539,513)	1,183,435	376,989	(88,791)	1,471,633	
2024	1,059,365	385,455	(81,646)	455,000	52,500	507,500	(450,000)	(97,513)	(547,513)	1,064,365	340,443	(81,646)	1,323,162	64.54%
2025	1,073,496	337,781	(74,155)	470,000	43,400	513,400	(475,000)	(79,513)	(554,513)	1,068,496	301,668	(74,155)	1,296,009	
2026	1,118,359	288,896	(66,311)	465,000	33,530	498,530	(475,000)	(60,513)	(535,513)	1,108,359	261,913	(66,311)	1,303,961	
2027	1,156,266	238,751	(58,110)	480,000	23,300	503,300	(500,000)	(41,513)	(541,513)	1,136,266	220,538	(58,110)	1,298,695	
2028	1,075,216	185,902	(49,412)	500,000	12,500	512,500	(525,000)	(21,263)	(546,263)	1,050,216	177,139	(49,412)	1,177,943	
2029	1,121,214	135,330	(40,202)	-	-	-	-	-	-	1,121,214	135,330	(40,202)	1,216,342	92.93%
2030	1,172,260	74,315	(20,730)	-	-	-	-	-	-	1,172,260	74,315	(20,730)	1,225,844	
2031	23,359	9,404	-	-	-	-	-	-	-	23,359	9,404	-	32,763	
2032	24,511	8,266	-	-	-	-	-	-	-	24,511	8,266	-	32,777	
2033	25,721	7,090	-	-	-	-	-	-	-	25,721	7,090	-	32,811	
2034	26,991	5,817	-	-	-	-	-	-	-	26,991	5,817	-	32,808	99.52%
2035	28,321	4,501	-	-	-	-	-	-	-	28,321	4,501	-	32,822	
2036	29,720	3,120	-	-	-	-	-	-	-	29,720	3,120	-	32,840	
2037	31,186	1,676	-	-	-	-	-	-	-	31,186	1,676	-	32,862	
2038	3,101	151	-	-	-	-	-	-	-	3,101	151	-	3,252	######
	\$ 18,815,275	\$ 7,119,179	\$ (1,242,761)	\$ 7,350,000	\$ 957,509	\$ 8,307,509	\$ (6,850,000)	\$ (2,006,513)	\$ (8,856,513)	\$ 19,315,275	\$ 6,070,175	\$ (1,242,761)	\$ 24,142,689	

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 GENERAL PURPOSE FINANCIAL STATEMENTS. Does included revenue supported debt.
- (2) The County budgets to account for interest rate and/or basis risk.
- (3) The original federal subsidy of 35.0% on the General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds) has been reduced by 7.3% for the federal fiscal year ending September 30, 2015 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2015, the sequestration rate will be subject to change.
- (3) Estimated Interest Rates. Estimated Average Coupon 1.90%.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES AND RETAINED EARNINGS

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

	<u>For the Fiscal Year Ended June 30,</u>				
<u>Fund Type</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<i>Governmental Funds:</i>					
General	\$ 2,055,446	\$1,944,967	\$2,714,772	\$2,987,958	\$ 3,505,511
Highway/Public Works	2,199,773	2,713,936	3,160,854	3,418,695	3,783,770
General Debt Service	2,715,248	2,197,970	2,686,888	2,896,605	2,744,155
Other Governmental	<u>5,278,589</u>	<u>1,492,777</u>	<u>657,766</u>	<u>403,199</u>	<u>348,506</u>
Total	<u>\$12,249,056</u>	<u>\$8,349,650</u>	<u>\$9,220,280</u>	<u>\$9,706,457</u>	<u>\$10,381,942</u>
<i>Proprietary Net Assets:</i>					
Solid Waste Disposal	\$(906,316)	\$(973,806)	\$(1,193,619)	\$(954,166)	\$(1,063,193)

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

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues:					
Local Taxes	\$ 6,239,112	\$ 6,260,272	\$ 6,503,799	\$ 6,325,143	\$ 6,312,644
Licenses and Permits	21,747	19,832	23,698	19,987	18,087
Fines, forfeitures and penalties	160,818	161,252	223,126	283,994	262,130
Charges for current services	736,011	990,967	1,152,808	1,078,060	1,171,500
Other local revenue	153,229	143,831	86,875	143,136	113,254
Fees Received from County Officials	704,206	897,924	1,067,687	1,083,472	995,536
State of Tennessee	1,050,224	929,189	1,064,835	1,091,731	1,248,913
Federal Government	160,854	302,774	234,637	221,018	226,289
Other Governments & Citizens Groups	557,347	547,018	498,584	411,548	530,583
Total Revenues	<u>\$ 9,783,548</u>	<u>\$ 10,253,059</u>	<u>\$ 10,856,049</u>	<u>\$ 10,658,089</u>	<u>\$ 10,878,936</u>
Expenditures:					
General Government	\$ 1,126,887	\$ 1,178,235	\$ 1,435,530	\$ 1,508,800	\$ 1,489,662
Finance	558,058	711,727	714,532	689,094	692,390
Administrations of Justice	937,005	943,653	926,526	900,513	944,989
Public Safety	3,500,851	3,812,670	3,587,080	3,792,564	3,797,362
Public Health & Welfare	1,455,112	1,561,691	1,455,849	1,534,737	1,602,417
Social, Cultural & Recreational	1,311,544	1,053,313	975,579	1,008,864	1,035,938
Agricultural & Natural Resources	248,314	239,252	230,481	229,533	233,137
Other Operations	850,044	921,711	751,641	761,317	716,169
Highways	-	-	-	-	-
Debt Service	31,196	63,939	32,743	68,066	35,323
Capital Projects	-	-	-	-	-
Total Expenditures	<u>\$ 10,019,011</u>	<u>\$ 10,486,191</u>	<u>\$ 10,109,961</u>	<u>\$ 10,493,488</u>	<u>\$ 10,547,387</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (235,463)	\$ (233,132)	\$ 746,088	\$ 164,601	\$ 331,549
Other Sources & Uses:					
Note / Lease Proceeds	\$ -	\$ 93,625	\$ 3,092	\$ 100,085	\$ -
Insurance Proceeds	2,886	29,028	20,625	-	186,004
Sale of Capital Assets	-	-	-	8,500	-
Operating Transfers - In	-	-	-	-	-
Operating Transfers - Out	(69,418)	-	-	-	-
Total Revenues & Other Sources	<u>\$ (66,532)</u>	<u>\$ 122,653</u>	<u>\$ 23,717</u>	<u>\$ 108,585</u>	<u>\$ 186,004</u>
Net Change in Fund Balances	\$ (301,995)	\$ (110,479)	\$ 769,805	\$ 273,186	\$ 517,553
Fund Balance July 1	2,357,441	2,055,446	1,944,967	2,714,772	2,987,958
Residual Equity Transfers	-	-	-	-	-
Fund Balance June 30	<u><u>\$ 2,055,446</u></u>	<u><u>\$ 1,944,967</u></u>	<u><u>\$ 2,714,772</u></u>	<u><u>\$ 2,987,958</u></u>	<u><u>\$ 3,505,511</u></u>

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by state statute and local policies and administered by the County Trustee. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 10% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. For reporting purposes, all investments are stated at cost which approximates market value.

PROPERTY TAX

Introduction. The County is authorized to levy a tax on all property within the County without limitation as to rate or amount. All real and personal property within the County is assessed in accordance with the state constitutional and statutory provisions by the County Property Tax Assessor except most utility property, which is assessed by the Office of State Assessed Properties. All property taxes are due on October 1 of each year based upon appraisals as of January 1 of the same calendar year. All property taxes are delinquent on March 1 of the subsequent calendar year.

Reappraisal Program. Title 67, Chapter 5, Part 16, *Tennessee Code Annotated*, as supplemented and amended, mandates that after June 1, 1989, all property in the State of Tennessee will be reappraised on a continuous six (6) year cycle composed of an on-sight review of each parcel of property over a five (5) year period followed by reevaluation of all such property in the year following the completion of the review. In the second and fourth years of the review, there shall be an updating of all real property values by application of an index or indexes established for the jurisdiction by the State Board of Equalization, so as to maintain real property values at full value as defined in Title 67, Chapter 5, Part 6, *Tennessee Code Annotated*. The State Board of Equalization shall also consider a plan submitted by a local assessor which would have the effect of maintaining real property values at full value which may be used in lieu of indexing.

Title 67, Chapter 5, Part 17, *Tennessee Code Annotated*, provides that at such time as such reappraisal and reassessment processes are completed in a particular county, the respective governing bodies of the county and the municipalities located therein shall determine and certify a tax rate which will provide the same ad valorem tax revenue for the respective jurisdiction as was levied prior to reappraisal and reassessment. In computing the new tax rate, the estimated assessed value of all new construction and improvements placed on the tax rolls since the previous year, and the assessed value of all deletions from the previous tax roll are excluded. The new tax rate therefore, is derived from a comparison of tax revenues, tax rates and assessed values of property on the tax roll in both the year before and the year after the reappraisal. The effect of the reappraisal and reassessment statutes is to adjust the property tax rate downward to prevent a taxing unit from collecting additional property tax revenues as a result of reappraisal. Once a municipality or county complies with state law and certifies a tax rate which provides the same property tax revenue as was collected before reappraisal, its governing body may vote to approve a tax rate change which would produce more or less tax revenue. The County has a

reappraisal program, conducted by the State Board of Equalization, Division of Property Assessment, which was completed as of January 1, 2014.

Assessed Valuations. According to the Tax Aggregate for Tennessee, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2014¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Value</u>
Public Utilities	\$ 29,419,750	55%	\$ 67,378,408
Commercial and Industrial	91,105,000	40%	227,762,500
Personal Tangible Property	40,699,016	30%	135,663,241
Residential and Farm	<u>241,114,125</u>	25%	<u>964,456,500</u>
Total	<u>\$402,337,891</u>		<u>\$1,395,277,149</u>

Source: 2014 Tax Aggregate for Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2015 (tax year 2014) is \$402,337,891 compared to \$400,910,847 for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value of all taxable property for tax year 2014 is \$1,395,277,149 compared to \$1,387,673,806 for tax year 2013.

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¹ The tax year coincides with the calendar year; therefore tax year 2014 is actually fiscal year 2014-2015.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2010 through 2014 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2014.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2014 Amount	Pct
2010	\$361,557,287	\$2.38	\$7,943,386	\$7,129,572	89.8%	N/A	
2011	334,439,234	2.58	8,634,352	7,893,906	91.4%	N/A	
2012	366,737,513	2.58	8,799,500	8,074,077	91.8%	N/A	
2013	400,910,847	2.3956	8,879,238	8,231,256	92.5%	\$647,982	7.3%
2014	402,337,891	2.3956	9,918,472*	IN PROCESS			

* Estimated

¹ The tax year coincides with the calendar year; therefore, tax year 2013 is actually fiscal year 2013-2014.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2014 (tax year 2013), the largest taxpayers in the County are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessed Values</u>	<u>Taxes Levied</u>
1. TVA	Beech Grove Rd Plant	Pilot Program	\$ 381,504
2. Teknor Apex	Manufacturing	\$15,912,117	381,191
3. LASCO Fittings, Inc.	Plastic Pipe Fittings	9,180,160	219,920
4. Southwest Electric	Electric Cooperation	Public Utility	179,599
5. United Foods Inc	Frozen Food Distribution	5,160,425	123,623
6. CSX Transportation Inc	Railroad	Public Utility	103,218
7. ANR Pipeline	Distribution	Public Utility	100,063
8. Wal-Mart	Retail	3,337,475	94,375
9. Lowe's	Distribution	3,522,094	84,375
10. Capline Pipeline System	Distribution	<u>2,570,870</u>	<u>60,150</u>
TOTAL		<u>\$39,683,141</u>	<u>\$1,728,018</u>

Source: The County.

PENSION PLANS

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

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

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GENERAL PURPOSE FINANCIAL STATEMENTS

HAYWOOD COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Haywood County for the fiscal year ended June 30, 2014 which is available upon request from the County.

**ANNUAL FINANCIAL REPORT
HAYWOOD COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2014



**ANNUAL FINANCIAL REPORT
HAYWOOD COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

**JAN PAGE, CPA, CFE
Audit Manager**

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

**MELISSA DARBY, CPA, CFE
LAUREN JEWELL
GREG HOWELL
VICKY BARBER, CFE
ELISHA CROWELL, CISA CFE
State Auditors**

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

HAYWOOD COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Haywood County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Haywood County as of and for the year ended June 30, 2014.

Results

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

Our audit resulted in 12 findings and recommendations, which we have reviewed with Haywood County management. Detailed findings and recommendations 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.
- ◆ A lease-purchase agreement and a capital outlay note were not issued in compliance with state statutes.
- ◆ Expenditures exceeded appropriations.
- ◆ Some Ambulance Service funds were not deposited within three days of collection.
- ◆ Employees using the landfill software shared usernames and passwords.
- ◆ The billing/accounts receivable software used by the Solid Waste Office did not identify the user who processed transactions.
- ◆ The billing/accounts receivable software used by the Solid Waste Office did not have adequate application controls.

OFFICE OF CHIEF ADMINISTRATIVE HIGHWAY OFFICER

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

OFFICES OF CLERK AND MASTER AND REGISTER OF DEEDS

- ◆ Multiple employees operated from the same cash drawer.

OFFICE OF REGISTER OF DEEDS

- ◆ The register of deeds allowed individuals unsupervised access to the office after business hours.
 - ◆ Employees shared usernames and passwords.
-

OFFICES OF SOLID WASTE, CHIEF ADMINISTRATIVE HIGHWAY OFFICER, TRUSTEE, REGISTER OF DEEDS, AND THE AMBULANCE SERVICE

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Haywood County Officials
June 30, 2014

Officials

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

Board of County Commissioners

Franklin Smith, County Mayor, Chairman	Samuel Mathis, Jr.
Becky Booth	Jeffrey Richmond
Kathy Chapman	Janice Rogers
Wally Eubanks	Jerry Smith
John Gorman, Jr.	Larry Stanley
Robert Green	Joe Stephens
Bob Hooper	Robert Thornton
Richard Jameson	Marjorie Vault
Leonard Jones, Jr.	James Waldrop
Allen King	Charles Wills
Chris Lea	

Highway Commission

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

Board of Education

Harold Garrett, Chairman
Allen Currie
Pearlie Hess
Robbie King
Greg Vanstory

Audit Committee

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

FINANCIAL SECTION



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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Haywood, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Haywood County Utility District, which represent 12.5 percent, 13.5 percent, and .9 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Haywood County Emergency Communications District, which represent 5.5 percent, 6.8 percent and one percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and

our opinion, insofar as it relates to the amounts included for the Haywood County Utility District and the Haywood County Emergency Communications District, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Haywood County, Tennessee, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note V.B., Haywood County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

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 schedules of funding progress – pension plan and other postemployment benefits plan on pages 81 - 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Haywood County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Haywood County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Haywood County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

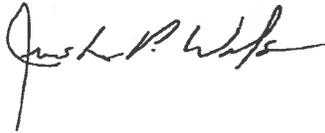
in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Haywood County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2015, on our consideration of Haywood County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Haywood County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

March 9, 2015

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Haywood County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Haywood	Haywood	Haywood County
				County School Department	County Utility District	Emergency Communications District
ASSETS						
Cash	\$ 18,729	\$ 0	\$ 18,729	\$ 0	\$ 370,868	\$ 1,061,663
Equity in Pooled Cash and Investments	9,834,816	24,901	9,859,717	3,440,611	0	0
Accounts Receivable	1,053,748	437,349	1,491,097	3,098	25,671	0
Allowance for Uncollectibles	(207,623)	(131,205)	(338,828)	0	0	0
Due from Other Governments	845,898	5,508	851,406	1,386,780	0	0
Due from Primary Government	0	0	0	85,976	0	0
Due from Component Units	59,171	0	59,171	0	0	0
Property Taxes Receivable	6,335,748	0	6,335,748	3,945,321	0	0
Allowance for Uncollectible Property Taxes	(140,502)	0	(140,502)	(87,492)	0	0
Capital Assets:						
Assets Not Depreciated:						
Land	4,274,111	235,000	4,509,111	143,868	0	0
Construction in Progress	0	0	0	1,001,161	0	0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	11,028,847	91,811	11,120,658	12,405,260	3,290,739	0
Infrastructure	5,933,128	0	5,933,128	0	0	0
Other Capital Assets	3,060,014	149,872	3,209,886	1,903,586	0	563,015
Total Assets	\$ 42,096,085	\$ 813,236	\$ 42,909,321	\$ 24,228,169	\$ 3,687,278	\$ 1,624,678
LIABILITIES						
Accounts Payable	\$ 174,505	\$ 36,293	\$ 210,798	\$ 157,842	\$ 12,039	\$ 0
Payroll Deductions Payable	45,353	1,053	46,406	691,127	0	0
Contracts Payable	0	0	0	137,737	0	0
Due to Primary Government	0	0	0	59,171	0	0
Due to State of Tennessee	5,282	197	5,479	0	0	0
Accrued Interest Payable	63,373	0	63,373	0	8,926	0
Other Current Liabilities	14,672	0	14,672	0	0	0
Customer Deposits Payable	0	0	0	0	18,555	0
Noncurrent Liabilities:						
Due Within One Year	1,116,131	36,425	1,152,556	0	10,960	0
Due in More Than One Year (net of unamortized premium on debt)	17,819,939	1,802,461	19,622,400	635,706	434,570	0
Total Liabilities	\$ 19,239,255	\$ 1,876,429	\$ 21,115,684	\$ 1,681,583	\$ 485,050	\$ 0
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	\$ 5,801,231	\$ 0	\$ 5,801,231	\$ 3,612,458	\$ 0	\$ 0
Total Deferred Inflows of Resources	\$ 5,801,231	\$ 0	\$ 5,801,231	\$ 3,612,458	\$ 0	\$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Haywood	Haywood	Haywood County
				County School Department	County Utility District	Emergency Communications District
NET POSITION						
Net Investment in Capital Assets	\$ 10,902,824	\$ 419,339	\$ 11,322,163	\$ 15,453,875	\$ 2,845,209	\$ 563,015
Restricted for:						
General Government	99,292	0	99,292	0	0	0
Finance	12,523	0	12,523	0	0	0
Administration of Justice	377,956	0	377,956	0	0	0
Public Safety	38,017	0	38,017	0	0	0
Public Health and Welfare	21,140	0	21,140	0	0	0
Social, Cultural, and Recreational Services	12,737	0	12,737	0	0	0
Highway/Public Works	2,155,966	0	2,155,966	0	0	0
Education	0	0	0	113,382	0	0
Operation of Non-instructional Services	0	0	0	580,917	0	0
Capital Projects	134,832	0	134,832	0	0	0
Unrestricted	3,300,312	(1,482,532)	1,817,780	2,785,954	357,019	1,061,663
Total Net Position	\$ 17,055,599	\$ (1,063,193)	\$ 15,992,406	\$ 18,934,128	\$ 3,202,228	\$ 1,634,678

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

Exhibit B

Haywood County, Tennessee
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues			Primary Government			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Haywood County School Department	Haywood County Utility District	Haywood County Emergency Communications District	Total
Primary Government:										
Governmental Activities:										
General Government	\$ 1,781,787	\$ 173,046	\$ 36,039	\$ 0	\$ (1,572,702)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	947,071	578,380	0	0	(368,691)	0	0	0	0	0
Administration of Justice	1,131,714	806,777	4,635	0	(320,302)	0	0	0	0	0
Public Safety	4,606,892	1,006,832	46,925	0	(3,554,135)	0	0	0	0	0
Public Health and Welfare	2,116,369	1,645,034	110,568	64,366	(296,401)	0	0	0	0	0
Social, Cultural, and Recreational Services	1,272,925	47,823	171,778	0	(1,053,324)	0	0	0	0	0
Agriculture and Natural Resources	239,770	0	0	0	(239,770)	0	0	0	0	0
Highways/Public Works	3,147,321	299,489	1,839,581	0	(1,008,251)	0	0	0	0	0
Education	213,787	0	0	0	(213,787)	0	0	0	0	0
Interest on Long-term Debt	767,788	0	45,880	0	(718,908)	0	0	0	0	0
Total Governmental Activities	\$ 16,225,424	\$ 4,557,381	\$ 2,257,406	\$ 64,366	\$ (9,346,271)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:										
Solid Waste Disposal	\$ 865,911	\$ 466,586	\$ 39,298	\$ 0	\$ 0	\$ (360,027)	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 17,091,335	\$ 5,023,967	\$ 2,296,704	\$ 64,366	\$ (9,346,271)	\$ (360,027)	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Haywood County School Department	\$ 28,951,214	\$ 312,950	\$ 5,033,631	\$ 1,676,393	\$ 0	\$ 0	\$ (21,958,240)	\$ 0	\$ 0	\$ 0
Haywood County Utility District	336,538	282,052	0	0	0	0	0	(64,486)	0	0
Haywood County Emergency Communications District	215,636	52,758	258,977	0	0	0	0	0	96,129	0
Total Component Units	\$ 29,533,388	\$ 647,790	\$ 5,292,608	\$ 1,676,393	\$ 0	\$ 0	\$ (21,958,240)	\$ (64,486)	\$ 96,129	\$ 96,129

(Continued)

Exhibit B

Haywood County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues			Primary Government			Component Units			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Haywood County School Department	Haywood County Utility District	Haywood County Emergency Communications District	
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes				\$ 5,040,881	\$ 0	\$ 5,040,881	\$ 3,711,332	\$ 0	\$ 0	\$ 0
Property Taxes Levied for Debt Service				918,221	0	918,221	0	0	0	0
Local Option Sales Taxes				130,582	0	130,582	1,602,432	0	0	0
Hotel/Motel Tax				43,361	0	43,361	0	0	0	0
Wheel Tax				935,991	0	935,991	269,344	0	0	0
Litigation Taxes				460,108	0	460,108	0	0	0	0
Business Tax				119,326	0	119,326	0	0	0	0
Wholesale Beer Tax				92,105	0	92,105	0	0	0	0
Other Local Taxes				34,402	0	34,402	39,269	0	0	0
Grants and Contributions Not Restricted to Specific Programs				1,593,797	0	1,593,797	17,981,560	0	0	0
Unrestricted Investment Income				68,269	0	68,269	0	1,276	0	1,355
Miscellaneous				50,273	21,000	71,273	28,944	0	0	0
Total General Revenues				\$ 9,487,316	\$ 21,000	\$ 9,508,316	\$ 23,632,881	\$ 1,276	\$ 1,355	\$ 1,355
Transfers										
Change in Net Position				\$ (230,000)	\$ 230,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Position, July 1, 2013				\$ (88,956)	\$ (109,027)	\$ (197,982)	\$ 1,674,641	\$ (63,210)	\$ 97,484	\$ 1,527,194
				17,144,564	(954,166)	16,190,388	17,259,487	3,255,438		
Net Position, June 30, 2014				\$ 17,055,599	\$ (1,063,193)	\$ 15,992,406	\$ 18,934,128	\$ 3,202,228	\$ 1,624,678	\$ 1,624,678

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

Exhibit C-1

Haywood County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0	0	0	0	18,729	\$ 18,729
Cash	3,182,342	3,610,130	2,737,991	279,233	9,809,696	9,809,696
Equity in Pooled Cash and Investments	1,048,167	136	0	5,445	1,053,748	1,053,748
Accounts Receivable	(207,623)	0	0	0	(207,623)	(207,623)
Allowance for Uncollectibles	533,314	312,584	0	0	845,898	845,898
Due from Other Governments	7,093	25,120	0	0	32,213	32,213
Due from Other Funds	0	0	0	59,171	59,171	59,171
Due from Component Units	4,850,847	506,846	978,055	0	6,335,748	6,335,748
Property Taxes Receivable	(107,573)	(11,240)	(21,689)	0	(140,502)	(140,502)
Allowance for Uncollectible Property Taxes						
Total Assets	\$ 9,306,567	\$ 4,443,576	\$ 3,694,357	\$ 362,578	\$ 17,807,078	\$ 17,807,078

ASSETS

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

Total Assets

LIABILITIES

Accounts Payable
Payroll Deductions Payable
Due to Other Funds
Due to State of Tennessee
Other Current Liabilities
Total Liabilities

\$	160,428	12,894	0	1,183	174,505
	40,063	0	0	5,290	45,353
	0	0	0	7,093	7,093
	4,776	0	0	506	5,282
	14,672	0	0	0	14,672
\$	219,939	12,894	0	14,072	246,905

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
Deferred Delinquent Property Taxes
Other Deferred/Unavailable Revenue
Total Deferred Inflows of Resources

\$	4,441,598	464,083	895,550	0	5,801,231
	271,104	28,329	54,652	0	354,085
	868,415	154,500	0	0	1,022,915
\$	5,581,117	646,912	950,202	0	7,178,231

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other		
				Governmental Funds	Governmental Funds	
\$	99,292	0	0	0	0	99,292
	12,523	0	0	0	0	12,523
	377,956	0	0	0	0	377,956
	24,311	0	0	13,706	0	38,017
	12,737	0	0	0	0	12,737
	0	1,995,811	0	0	0	1,995,811
	0	0	0	131,829	0	131,829
	21,140	0	0	3,003	0	24,143
	0	0	0	13,043	0	13,043
	9,823	0	0	0	0	9,823
	23,541	0	0	127,131	0	150,672
	0	1,787,959	0	0	0	1,787,959
	0	0	0	35,830	0	35,830
	0	0	2,744,155	0	0	2,744,155
	0	0	0	23,964	0	23,964
	2,924,188	0	0	0	0	2,924,188
\$	3,505,511	3,783,770	2,744,155	348,506	0	10,381,942
\$	9,306,567	4,443,576	3,694,357	362,578	0	17,807,078

FUND BALANCES

Restricted:
 Restricted for General Government
 Restricted for Finance
 Restricted for Administration of Justice
 Restricted for Public Safety
 Restricted for Social, Cultural, and Recreational Services
 Restricted for Highways/Public Works
 Restricted for Capital Projects
 Restricted for Other Purposes
 Committed:
 Committed for Finance
 Committed for Public Safety
 Committed for Public Health and Welfare
 Committed for Highways/Public Works
 Committed for Capital Outlay
 Committed for Debt Service
 Committed for Capital Projects
 Unassigned
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

Exhibit C-2

Havwood County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

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)		\$ 10,381,942
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 4,274,111	
Add: buildings and improvements net of accumulated depreciation	11,028,847	
Add: infrastructure net of accumulated depreciation	5,933,128	
Add: other capital assets net of accumulated depreciation	<u>3,060,014</u>	24,296,100
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: capital lease payable	\$ (33,324)	
Less: other loans payable	(3,096,995)	
Less: bonds payable	(15,718,280)	
Less: compensated absences payable	(22,674)	
Less: accrued interest on bonds and capital lease	(63,373)	
Less: other deferred revenues - premium on bonds	<u>(64,797)</u>	(18,999,443)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,377,000</u>
Net position of governmental activities (Exhibit A)		<u>\$ 17,055,599</u>

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

Exhibit C-3

Haywood County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
Revenues						
Local Taxes	\$ 6,312,644	\$ 632,658	\$ 1,477,848	\$ 0	\$ 0	\$ 8,423,150
Licenses and Permits	18,087	0	0	0	0	18,087
Fines, Forfeitures, and Penalties	262,130	0	1,503	22,897	0	286,530
Charges for Current Services	1,171,500	0	0	771,695	0	1,943,195
Other Local Revenues	113,254	322,244	100,794	27,903	0	564,195
Fees Received from County Officials	995,536	0	0	0	0	995,536
State of Tennessee	1,248,913	1,760,905	61,029	89,881	0	3,160,728
Federal Government	226,289	85,802	95,425	64,366	0	471,882
Other Governments and Citizens Groups	530,583	0	0	300	0	530,883
Total Revenues	\$ 10,878,936	\$ 2,801,609	\$ 1,736,599	\$ 977,042	\$ 0	\$ 16,394,186
Expenditures						
Current:						
General Government	\$ 1,489,662	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,489,662
Finance	692,390	0	0	185,241	0	877,631
Administration of Justice	944,989	0	0	10,060	0	955,049
Public Safety	3,797,362	0	0	13,077	0	3,810,439
Public Health and Welfare	1,602,417	0	0	367,738	0	1,970,155
Social, Cultural, and Recreational Services	1,035,938	0	0	0	0	1,035,938
Agriculture and Natural Resources	233,137	0	0	0	0	233,137
Other Operations	716,169	0	0	62,227	0	778,396
Highways	0	2,436,534	0	0	0	2,436,534
Debt Service:						
Principal on Debt	31,438	0	1,120,579	0	0	1,152,017
Interest on Debt	3,885	0	736,477	0	0	740,362
Other Debt Service	0	0	31,993	0	0	31,993

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 377,179	\$ 377,179	\$ 377,179
Total Expenditures	\$ 10,547,387	\$ 2,436,534	\$ 1,889,049	\$ 1,015,522	\$ 15,888,492	\$ 15,888,492
Excess (Deficiency) of Revenues Over Expenditures	\$ 331,549	\$ 365,075	\$ (152,450)	\$ (38,480)	\$ 505,694	\$ 505,694
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 100,000	\$ 100,000	\$ 100,000
Other Loans Issued	0	0	0	113,787	113,787	113,787
Insurance Recovery	186,004	0	0	0	186,004	186,004
Transfers Out	0	0	0	(230,000)	(230,000)	(230,000)
Total Other Financing Sources (Uses)	\$ 186,004	\$ 0	\$ 0	\$ (16,213)	\$ 169,791	\$ 169,791
Net Change in Fund Balances	\$ 517,553	\$ 365,075	\$ (152,450)	\$ (54,693)	\$ 675,485	\$ 675,485
Fund Balance, July 1, 2013	2,987,958	3,418,695	2,896,605	403,199	9,706,457	9,706,457
Fund Balance, June 30, 2014	\$ 3,505,511	\$ 3,783,770	\$ 2,744,155	\$ 348,506	\$ 10,381,942	\$ 10,381,942

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

Exhibit C-4

Haywood County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

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)		\$ 675,485
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 391,091	
Less: current-year depreciation expense	<u>(2,017,054)</u>	(1,625,963)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.</p>		
Less: proceeds received from the disposal of capital assets		(55,074)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 1,377,000	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(1,421,072)</u>	(44,072)
<p>(4) The issuance of long-term debt (e.g., bonds, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.</p>		
Less: note proceeds	\$ (100,000)	
Less: other loans proceeds	(113,787)	
Add: principal payments on note	100,000	
Add: principal payments on capital leases	31,438	
Add: principal payments on other loans	278,004	
Add: principal payments on bonds	742,575	
Add: change in premium on bond issuance	<u>16,354</u>	954,584
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 4,567	
Change in compensated absences payable	<u>1,518</u>	<u>6,085</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (88,955)</u>

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

Exhibit C-5

Haywood County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues				
Local Taxes	\$ 6,312,644	\$ 6,240,323	\$ 6,240,323	\$ 72,321
Licenses and Permits	18,087	19,708	19,708	(1,621)
Fines, Forfeitures, and Penalties	262,130	247,424	254,769	7,361
Charges for Current Services	1,171,500	1,000,572	1,003,072	168,428
Other Local Revenues	113,254	102,466	102,466	10,798
Fees Received from County Officials	995,536	1,280,061	1,280,061	(284,525)
State of Tennessee	1,248,913	1,047,993	1,047,993	200,920
Federal Government	226,289	211,322	211,322	14,967
Other Governments and Citizens Groups	530,583	520,219	524,683	5,900
Total Revenues	\$ 10,878,936	\$ 10,670,078	\$ 10,684,387	\$ 194,549
Expenditures				
General Government				
County Commission	\$ 131,620	\$ 138,353	\$ 138,853	\$ 7,233
Beer Board	2,113	1,800	2,100	(13)
County Mayor/Executive	270,102	259,592	275,592	5,490
County Attorney	67,558	68,169	68,169	611
Election Commission	117,144	122,150	122,151	5,007
Register of Deeds	130,589	131,434	137,373	6,784
Development	65,747	68,875	68,875	3,128
County Buildings	704,789	672,204	732,450	27,661
Finance				
Accounting and Budgeting	11,200	8,000	11,500	300
Property Assessor's Office	315,060	346,870	346,870	31,810
Reappraisal Program	12,075	34,223	34,223	22,148
County Trustee's Office	76,601	268,151	268,151	191,550
County Clerk's Office	277,454	287,812	290,312	12,858
Administration of Justice				
Circuit Court	450,404	442,264	456,264	5,860
General Sessions Judge	239,999	240,251	242,452	2,453
General Sessions Court Clerk	4,003	4,500	4,500	497
Chancery Court	169,728	179,021	179,021	9,293
Juvenile Court	80,855	82,559	82,559	1,704
Public Safety				
Sheriff's Department	1,323,782	1,485,564	1,450,242	126,460
Jail	1,786,637	1,713,612	1,807,397	20,760
Workhouse	205,262	151,536	207,036	1,774
Fire Prevention and Control	311,624	337,549	340,549	28,925
Civil Defense	0	72,773	72,773	72,773
Rescue Squad	13,008	13,410	13,410	402
County Coroner/Medical Examiner	4,800	4,800	4,800	0
Other Public Safety	152,249	185,000	185,000	32,751
Public Health and Welfare				
Local Health Center	53,723	55,914	55,914	2,191
Rabies and Animal Control	76,193	85,000	85,000	8,807
Ambulance/Emergency Medical Services	1,294,781	1,363,508	1,378,341	83,560
Alcohol and Drug Programs	12,446	5,000	14,646	2,200
Other Local Health Services	6,154	2,500	11,269	5,115
Appropriation to State	108,846	138,816	139,896	31,050

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Expenditures (Cont.)				
Public Health and Welfare (Cont.)				
Other Public Health and Welfare	\$ 50,274	\$ 20,000	\$ 49,540	\$ (734)
Social, Cultural, and Recreational Services				
Libraries	148,570	148,964	153,734	5,164
Parks and Fair Boards	713,925	719,333	719,333	5,408
Other Social, Cultural, and Recreational	173,443	175,000	185,000	11,557
Agriculture and Natural Resources				
Agricultural Extension Service	142,084	154,865	154,865	12,781
Soil Conservation	91,053	93,959	93,959	2,906
Other Operations				
Industrial Development	80,258	142,000	142,000	61,742
Veterans' Services	16,742	17,025	17,180	438
Other Charges	71,967	73,471	73,493	1,526
Contributions to Other Agencies	290,310	295,923	299,223	8,913
Miscellaneous	256,892	266,600	266,600	9,708
Principal on Debt				
General Government	31,438	0	31,438	0
Interest on Debt				
General Government	3,885	0	3,885	0
Total Expenditures	\$ 10,547,387	\$ 11,078,350	\$ 11,417,938	\$ 870,551
Excess (Deficiency) of Revenues Over Expenditures	\$ 331,549	\$ (408,272)	\$ (733,551)	\$ 1,065,100
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	\$ 0	\$ 5,000	\$ 5,000	\$ (5,000)
Insurance Recovery	186,004	0	60,398	125,606
Total Other Financing Sources	\$ 186,004	\$ 5,000	\$ 65,398	\$ 120,606
Net Change in Fund Balance	\$ 517,553	\$ (403,272)	\$ (668,153)	\$ 1,185,706
Fund Balance, July 1, 2013	2,987,958	2,987,958	2,987,958	0
Fund Balance, June 30, 2014	\$ 3,505,511	\$ 2,584,686	\$ 2,319,805	\$ 1,185,706

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

Exhibit C-6

Haywood County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 632,658	\$ 623,706	\$ 623,706	\$ 8,952
Other Local Revenues	322,244	303,070	303,070	19,174
State of Tennessee	1,760,905	2,534,607	2,534,607	(773,702)
Federal Government	85,802	139,775	139,775	(53,973)
Total Revenues	<u>\$ 2,801,609</u>	<u>\$ 3,601,158</u>	<u>\$ 3,601,158</u>	<u>\$ (799,549)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 156,569	\$ 161,104	\$ 162,304	\$ 5,735
Highway and Bridge Maintenance	1,167,579	1,325,235	1,309,379	141,800
Operation and Maintenance of Equipment	641,489	711,781	711,781	70,292
Other Charges	116,575	122,000	122,105	5,530
Employee Benefits	214,399	254,250	254,250	39,851
Capital Outlay	139,923	985,000	999,551	859,628
Total Expenditures	<u>\$ 2,436,534</u>	<u>\$ 3,559,370</u>	<u>\$ 3,559,370</u>	<u>\$ 1,122,836</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 365,075</u>	<u>\$ 41,788</u>	<u>\$ 41,788</u>	<u>\$ 323,287</u>
Net Change in Fund Balance	\$ 365,075	\$ 41,788	\$ 41,788	\$ 323,287
Fund Balance, July 1, 2013	<u>3,418,695</u>	<u>0</u>	<u>0</u>	<u>3,418,695</u>
Fund Balance, June 30, 2014	<u>\$ 3,783,770</u>	<u>\$ 41,788</u>	<u>\$ 41,788</u>	<u>\$ 3,741,982</u>

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

Exhibit D-1

Haywood County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2014

	<u>Major Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 24.901
Accounts Receivable	437.349
Allowance for Uncollectibles	(131.205)
Due from Other Governments	5.508
Total Current Assets	<u>\$ 336.553</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 235.000
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	91.811
Other Capital Assets	149.872
Total Noncurrent Assets	<u>\$ 476.683</u>
Total Assets	<u>\$ 813.236</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 36.293
Payroll Deductions Payable	1.053
Due to State of Tennessee	197
Total Current Liabilities	<u>\$ 37.543</u>
Noncurrent Liabilities:	
Due Within One Year	\$ 36.425
Due in More than One Year	1.802.461
Total Noncurrent Liabilities	<u>\$ 1.838.886</u>
Total Liabilities	<u>\$ 1.876.429</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 419.339
Unrestricted	<u>(1.482.532)</u>
Net Position	<u>\$ (1.063.193)</u>

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

Haywood County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	<u>Major Fund</u>
	<u>Business-type</u>
	Activities -
	Enterprise
	<u>Fund</u>
	Solid Waste
	<u>Disposal Fund</u>
<u>Operating Revenues</u>	
Tipping Fees	\$ 444,728
Sale of Materials and Supplies	21,710
Miscellaneous Refunds	148
Total Operating Revenues	<u>\$ 466,586</u>
<u>Operating Expenses</u>	
Supervisor/Director	\$ 19,241
Equipment Operators	95,494
Overtime Pay	9,624
Social Security	9,835
State Retirement	13,818
Employee and Dependent Insurance	8,866
Life Insurance	1,447
Unemployment Compensation	603
Other Fringe Benefits	6,909
Communication	2,439
Contracts with Government Agencies	3,448
Contracts with Private Agencies	442,904
Licenses	8,775
Maintenance and Repair Services	923
Printing, Stationery, and Forms	394
Rentals	42,000
Travel	186
Crushed Stone	1,099
Diesel Fuel	15,161
Drugs and Medical Supplies	294
Electricity	6,006
Equipment and Machinery Parts	53,657
Gasoline	7,375
Lubricants	1,279
Office Supplies	1,315
Tires and Tubes	5,514
Other Supplies and Materials	2,839
Premiums on Corporate Surety Bonds	100
Trustee's Commission	4,857
Vehicle and Equipment Insurance	12,789

(Continued)

Exhibit D-2

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

	<u>Major Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Operating Expenses (Cont.)</u>	
Workers' Compensation Insurance	\$ 9,151
Depreciation	45,196
Landfill Postclosure Care Costs	26,328
Other Charges	3,670
Other Construction	2,031
Total Operating Expenses	<u>\$ 865,567</u>
Operating Income (Loss)	<u>\$ (398,981)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Lease/Rentals	\$ 5,000
Solid Waste Grants	13,048
Gain on Disposal of Capital Assets	16,000
Contributions	26,250
Debt Issuance Charges	(344)
Total Nonoperating Revenues (Expenses)	<u>\$ 59,954</u>
Income Before Transfers	\$ (339,027)
Transfers In	<u>230,000</u>
Change in Net Position	\$ (109,027)
Net Position, July 1, 2013	<u>(954,166)</u>
Net Position, June 30, 2014	<u>\$ (1,063,193)</u>

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

Exhibit D-3

Haywood County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

	<u>Major Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 477,371
Receipts from Others	21,858
Payments for Waste Collections and Disposal Activity	(816,118)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (316,889)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Proceeds from Capital Debt	\$ 57,344
Acquisition of Capital Assets	(73,000)
Gain on Disposal of Capital Assets	16,000
Debt Issuance Costs	(344)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ 0</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Receipts from Farmland Rental	\$ 5,000
Receipts from Grants	13,048
Contributions	26,250
Transfers from Other Funds	230,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 274,298</u>
Net Increase (Decrease) in Cash	\$ (42,591)
Cash, July 1, 2013	<u>67,492</u>
Cash, June 30, 2014	<u>\$ 24,901</u>
<u>Reconciliation of Operating Income (Loss)</u>	
Other Current Liabilities	
Operating Income (Loss)	\$ (398,981)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	45,196
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	46,085
Increase (Decrease) in Allowance for Uncollectibles	(13,184)
(Increase) Decrease in Due from Other Governments	(258)
Increase (Decrease) in Accounts Payable	3,704
Increase (Decrease) in Payroll Deductions Payable	(179)
Increase (Decrease) in Due to State of Tennessee	23
Increase (Decrease) in Accrued Liability for Landfill Postclosure Care Costs	705
Net Cash Provided By (Used In) Operating Activities	<u>\$ (316,889)</u>
<u>Reconciliation of Cash With Statement of Net Position</u>	
Equity in Pooled Cash and Investments Per Net Position	<u>\$ 24,901</u>
Cash, June 30, 2014	<u>\$ 24,901</u>

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

Exhibit E

Havwood County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 574,258
Accounts Receivable	2,738
Due from Other Governments	<u>250,820</u>
Total Assets	<u>\$ 827,816</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 250,820
Due to Litigants, Heirs, and Others	<u>576,996</u>
Total Liabilities	<u>\$ 827,816</u>

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

HAYWOOD COUNTY, TENNESSEE

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HAYWOOD COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Haywood County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Haywood County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Haywood County Utility District provides water services to customers within the district, and the Haywood County Commission appoints its three-member governing body. The district is funded primarily from charges to customers for water services and grants. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Haywood County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Haywood County, and the Haywood County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

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

Administrative Offices:

Haywood County Utility District
1 North Washington
Brownsville, TN 38012

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

B. Government-wide and Fund Financial Statements

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

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

Haywood County issues all debt for the discretely presented Haywood County School Department. Net debt issues totaling \$213,787 were contributed by the county to the School Department during the year ended June 30, 2014.

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

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

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

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

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

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

on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Haywood County reports the following major governmental funds:

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

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

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

Haywood County reports the following major enterprise fund:

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

Additionally, Haywood County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, amounts collected for a

joint venture emergency management agency, and local sales taxes received by the state to be forwarded to the various cities in Haywood County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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

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

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

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash includes funds held by the county trustee as Equity in Pooled Cash and Investments.

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Haywood County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Haywood County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All ambulance, solid waste disposal, and property taxes receivable are shown with an allowance for uncollectibles. Ambulance and solid waste disposal receivables allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to 2.22 percent of total taxes levied.

Property taxes receivables are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes

are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and the business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

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 revenues are from the followings sources: current and delinquent property taxes 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

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

It is the policy of the Highway Department to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Highway Department does not have a policy to pay any amounts when employees separate from service with the government. A liability for the vacation benefits is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

6. **Long-term Obligations**

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

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

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

7. Net Position and Fund Balance

In the government-wide financial statements and the proprietary 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, 2014, Haywood County had \$5,488,840 in outstanding debt issued for capital purposes of the discretely presented Haywood County School Department. This debt is a liability of Haywood County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Haywood County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

Committed Fund Balances – 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 authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Haywood County School Department

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

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

Primary Government

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

Discretely Presented Haywood County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2014, the Haywood County School Department reported the following significant encumbrances:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
School Department:		
Major Fund:		
General Purpose School	Computers	\$ 181,602
"	Textbooks	18,830
"	HVAC units	18,225

B. Net Position Deficit

The Solid Waste Disposal Fund had a deficit of \$1,482,532 in unrestricted net position and a total net position deficit of \$1,063,193 at June 30, 2014. This deficit primarily resulted from the recognition of a liability totaling \$1,781,542 for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Beer Board and Other Public Health and Welfare major appropriations categories (the legal level of control) of the General Fund by \$13 and \$734, respectively. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the General Fund.

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

The county mayor failed to comply with state statutes when entering into a lease-purchase agreement for a tractor and dirt pan and when issuing a capital outlay note for School Department heating and cooling equipment. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

The county had no pooled or nonpooled investments as of June 30, 2014.

B. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government - Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets				
Not Depreciated:				
Land	\$ 4,256,511	\$ 17,600	\$ 0	\$ 4,274,111
Total Capital Assets				
Not Depreciated	\$ 4,256,511	\$ 17,600	\$ 0	\$ 4,274,111
Capital Assets				
Depreciated:				
Buildings				
and Improvements	\$ 18,316,431	\$ 85,825	\$ 0	\$ 18,402,256
Infrastructure	51,026,819	0	0	51,026,819
Other Capital Assets	10,188,920	287,666	(285,039)	10,191,547
Total Capital Assets				
Depreciated	\$ 79,532,170	\$ 373,491	\$ (285,039)	\$ 79,620,622
Less Accumulated				
Depreciation For:				
Buildings				
and Improvements	\$ 6,777,920	\$ 595,489	\$ 0	\$ 7,373,409
Infrastructure	44,411,497	682,194	0	45,093,691
Other Capital Assets	6,622,127	739,371	(229,965)	7,131,533
Total Accumulated				
Depreciation	\$ 57,811,544	\$ 2,017,054	\$ (229,965)	\$ 59,598,633
Total Capital Assets				
Depreciated, Net	\$ 21,720,626	\$ (1,643,563)	\$ (55,074)	\$ 20,021,989
Governmental Activities				
Capital Assets, Net	\$ 25,977,137	\$ (1,625,963)	\$ (55,074)	\$ 24,296,100

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

Governmental Activities:

General Government	\$ 105,877
Finance	52,860
Administration of Justice	102,416
Public Safety	774,698
Public Health and Welfare	87,703
Social, Cultural, and Recreational Services	65,453
Other Operations	3,990
Highway Department	<u>824,057</u>

Total Depreciation Expense - Governmental Activities \$ 2,017,054

Primary Government - Business-type Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets				
Not Depreciated:				
Land	\$ 235,000	\$ 0	\$ 0	\$ 235,000
Total Capital Assets Not Depreciated	<u>\$ 235,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 235,000</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 215,300	\$ 0	\$ 0	\$ 215,300
Other Capital Assets	605,643	73,000	(27,000)	651,643
Total Capital Assets Depreciated	<u>\$ 820,943</u>	<u>\$ 73,000</u>	<u>\$ (27,000)</u>	<u>\$ 866,943</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 116,303	\$ 7,186	\$ 0	\$ 123,489
Other Capital Assets	490,761	38,010	(27,000)	501,771
Total Accumulated Depreciation	<u>\$ 607,064</u>	<u>\$ 45,196</u>	<u>\$ (27,000)</u>	<u>\$ 625,260</u>
Total Capital Assets Depreciated, Net	<u>\$ 213,879</u>	<u>\$ 27,804</u>	<u>\$ 0</u>	<u>\$ 241,683</u>
Business-type Activities Capital Assets, Net	<u>\$ 448,879</u>	<u>\$ 27,804</u>	<u>\$ 0</u>	<u>\$ 476,683</u>

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

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 143,868	\$ 0	\$ 0	\$ 143,868
Construction in Progress	5,280,825	1,001,161	(5,280,825)	1,001,161
Total Capital Assets Not Depreciated	\$ 5,424,693	\$ 1,001,161	\$ (5,280,825)	\$ 1,145,029
Capital Assets Depreciated:				
Buildings and Improvements	\$ 19,245,954	\$ 6,631,503	\$ 0	\$ 25,877,457
Other Capital Assets	6,008,277	481,597	0	6,489,874
Total Capital Assets Depreciated	\$ 25,254,231	\$ 7,113,100	\$ 0	\$ 32,367,331
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 12,914,417	\$ 557,780	\$ 0	\$ 13,472,197
Other Capital Assets	4,171,062	415,226	0	4,586,288
Total Accumulated Depreciation	\$ 17,085,479	\$ 973,006	\$ 0	\$ 18,058,485
Total Capital Assets Depreciated, Net	\$ 8,168,752	\$ 6,140,094	\$ 0	\$ 14,308,846
Governmental Activities Capital Assets, Net	\$ 13,593,445	\$ 7,141,255	\$ (5,280,825)	\$ 15,453,875

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

Governmental Activities:

Instruction	\$ 413,436
Support Services	504,355
Operation of Non-instructional Services	<u>55,215</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 973,006</u>

C. Construction Commitments

At June 30, 2014, the School Department's General Purpose School Fund had uncompleted construction contracts of \$174,770 for school renovations. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 7,093
Highway/Public Works	General	25,120

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

The receivable in the Highway/Public Works Fund totaling \$25,120 was in transit from the General Fund at June 30, 2014.

Due to/from Primary Government and Component Units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
Nonmajor governmental	Component Unit: School Department: General Purpose School	\$ 59,171
Component Unit: School Department: Nonmajor governmental	Primary Government: General	85,976

The receivable in the nonmajor governmental funds totaling \$85,976 was in transit from the General Fund at June 30, 2014.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

Primary Government

	<u>Transfer In</u>
	Solid Waste Disposal Fund
<u>Transfer Out</u>	
Nonmajor governmental fund	\$ 230,000

Discretely Presented Haywood County School Department

	<u>Transfer In</u>
	General Purpose School Fund
<u>Transfer Out</u>	
Nonmajor governmental fund	\$ 52,664

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.

E. Operating Lease

On August 28, 2012, the county mayor obtained document scanning services under an operating lease. The rental expenditures for the year ended June 30, 2014, were \$69,000. The future lease minimum lease payments are as follows:

Year Ending June 30	<u>Amount</u>
2015	\$ 69,000
2016	69,000
2017	<u>69,000</u>
Total	<u>\$ 207,000</u>

F. Capital Leases - Governmental Activities and Business-type Activities

On September 21, 2012, Haywood County entered into a two-year lease-purchase agreement for four Sheriff's Department vehicles. The terms of the agreement require total lease payments of \$100,085 plus interest of six

percent. Title to the vehicles transfers to Haywood County at the end of the lease period. The General Fund is making the lease payments.

On September 6, 2013, Haywood County entered into a five-year lease-purchase agreement for a tractor and dirt pan. The terms of the agreement require total lease payments of \$57,344 plus interest of three percent. Title to the equipment transfers to Haywood County at the end of the lease period. The Solid Waste Disposal Fund is making the lease payments. This lease-purchase agreement was not entered into in compliance with state statutes.

The assets acquired through the capital leases are as follows:

Asset	Governmental Activities	Business- type Activities
Other Capital Assets	\$ 100,085	\$ 73,000
Less: Accumulated Depreciation	<u>(37,679)</u>	<u>(6,083)</u>
Total Book Value	<u>\$ 62,406</u>	<u>\$ 66,917</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30	Governmental Activities	Business- type Activities
2015	\$ 35,323	\$ 12,522
2016	0	12,522
2017	0	12,522
2018	0	12,522
2019	0	12,522
Total Minimum Lease Payments	<u>\$ 35,323</u>	<u>\$ 62,610</u>
Less: Amount Representing Interest	<u>(1,999)</u>	<u>(5,266)</u>
Present Value of Minimum Lease Payments	<u>\$ 33,324</u>	<u>\$ 57,344</u>

G. Long-term Obligations

Primary Government

General Obligation Bonds, Note and Other Loans

Haywood County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In

addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 39 years for bonds and 16 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2014, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and the capital lease outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	3.625 to 5.55%	8-5-37	\$ 15,860,000	\$ 14,693,280
General Obligation Bonds - Refunding	3 to 3.5	6-30-16	3,400,000	1,025,000
Other Loans Payable	0 to variable	6-1-27	3,509,000	3,096,995
Capital Lease	6	9-21-14	100,085	33,324

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

During the 2011-12 year, Haywood County entered into a loan agreement with the City of Clarksville Public Building Authority. Under the loan agreement, the authority made \$1,509,000 available for loan to Haywood County for school renovation projects. This loan is repayable at a variable interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees in connection with this loan. At June 30, 2014, the variable interest rate was .66 percent and other fees totaled .15 percent of the outstanding loan principal. The loan is also assessed an annual trustee fee of \$1,600.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2014, including interest payments and other loan fees, are presented in the following tables:

Year Ending	Bonds		
	Principal	Interest	Total
2015	\$ 783,798	\$ 701,996	\$ 1,485,794
2016	800,142	673,925	1,474,067
2017	881,546	644,673	1,526,219
2018	933,019	609,461	1,542,480
2019	984,558	571,923	1,556,481
2020-2024	4,793,496	2,239,405	7,032,901
2025-2029	5,176,551	1,155,954	6,332,505
2030-2034	1,272,842	103,403	1,376,245
2035-2038	92,328	8,308	100,636
Total	\$ 15,718,280	\$ 6,709,048	\$ 22,427,328

Year Ending	Other Loans			Total
	Principal	Interest	Other Fees	
2015	\$ 282,004	\$ 8,950	\$ 3,624	\$ 294,578
2016	285,004	8,408	3,500	296,912
2017	288,004	7,847	3,372	299,223
2018	292,004	7,267	3,240	302,511
2019	295,004	6,659	3,102	304,765
2020-2024	1,286,975	23,357	13,242	1,323,574
2025-2027	368,000	5,043	6,084	379,127
Total	\$ 3,096,995	\$ 67,531	\$ 36,164	\$ 3,200,690

There is \$2,744,155 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, other loans, and the capital lease, totaled \$1,003 based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Bonds	Note	Other Loans
Balance, July 1, 2013	\$ 16,460,855	\$ 0	\$ 3,261,212
Additions	0	100,000	113,787
Reductions	(742,575)	(100,000)	(278,004)
Balance, June 30, 2014	\$ 15,718,280	\$ 0	\$ 3,096,995
Balance Due Within One Year	\$ 783,798	\$ 0	\$ 282,004

	Capital Lease	Compensated Absences
Balance, July 1, 2013	\$ 64,762	\$ 24,192
Additions	0	24,625
Reductions	(31,438)	(26,143)
	<hr/>	<hr/>
Balance, June 30, 2014	\$ 33,324	\$ 22,674
	<hr/>	<hr/>
Balance Due Within One Year	\$ 33,324	\$ 17,005
	<hr/>	<hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 18,871,273
Less: Balance Due Within One Year	(1,116,131)
Add: Unamortized Premium on Debt	64,797
	<hr/>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 17,819,939</u>

Compensated absences will be paid from the employing fund, the Highway/Public Works Fund.

Haywood County Solid Waste Disposal Fund (enterprise fund)

Capital Lease

The capital lease outstanding as of June 30, 2014, for business-type activities is as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-14</u>
Capital Lease	3 %	9-5-18	\$ 57,344	\$ 57,344

Changes in Long-term Obligations

Long-term obligations activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2014, was as follows:

Business-type Activities:

	Capital Lease	Postclosure Care Costs
Balance, July 1, 2013	\$ 0	\$ 1,780,837
Additions	57,344	26,328
Reductions	0	(25,623)
	<u>57,344</u>	<u>(25,623)</u>
Balance, June 30, 2014	<u>\$ 57,344</u>	<u>\$ 1,781,542</u>
Balance Due Within One Year	<u>\$ 10,802</u>	<u>\$ 25,623</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 1,838,886
Less: Balance Due Within One Year	<u>(36,425)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,802,461</u>

Discretely Presented Haywood County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Haywood County School Department for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Other Postemployment Benefits
Balance, July 1, 2013	\$ 664,611
Additions	137,684
Reductions	<u>(166,589)</u>
Balance, June 30, 2014	<u>\$ 635,706</u>
Balance Due Within One Year	<u>\$ 0</u>

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

H. On-Behalf Payments - Discretely Presented Haywood County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Haywood County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2014, were \$85,502 and \$40,477, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Employee Health Insurance

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

Workers' Compensation Insurance

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

Liability, Property, and Casualty

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

member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Discretely Presented Haywood County School Department

Employee Health Insurance

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

Liability, Property, Casualty, and Workers' Compensation Insurance

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Event

In September 2014, the county entered into an \$83,539 lease-purchase agreement for landfill equipment.

D. Contingent Liabilities

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

E. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Haywood County closed its sanitary landfill in 1998. The \$1,781,542, reported as postclosure care liability at June 30, 2014, represents amounts based on what it would cost to perform all postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Brownsville - Haywood County Emergency Management Agency is a joint venture between Haywood County and the City of Brownsville. The agency's three-member board includes the county mayor, the mayor of the City of Brownsville, and one member who is jointly selected by the county mayor and the city mayor. The agency is jointly funded by the county and the City of Brownsville with additional revenues received from the State of Tennessee, the federal government, and private contributions. During the year ended June 30, 2014, the county provided financial assistance of \$16,811 to the agency.

The Brownsville - Haywood County Rescue Squad is a joint venture between Haywood County and the City of Brownsville. The agency's six-member board includes the county mayor, the mayor of the City of Brownsville, and four other members. The purpose of the rescue squad is to provide assistance in search and rescue, drowning, flooding, evacuations, and road clearing from storms. The agency is jointly funded by the county and the City of Brownsville with additional revenues received from the private contributions.

During the year ended June 30, 2014, the county contributed \$10,000 to the rescue squad.

The HTL Advantage is a joint venture between Haywood, Tipton, and Lauderdale counties and the cities of Brownsville, Ripley, and Covington. The board comprises ten members and consists of the mayors from each of the counties and cities, and one member from the Southwest Tennessee Electric Cooperative, the Covington Electric System, Ripley Power and Light, and the Brownsville Electric System. The purpose of the board is to establish and operate an office that markets the entire defined region for economic development and to bring the region attention of prospective industrial and commercial interests, which would be beneficial for the common good of all entities involved herein. The counties, cities, and electric systems provide the funding for the board. Haywood County contributed \$60,000 to HTL Advantage during the year.

The Elma Ross Public Library is a joint venture between Haywood County and the City of Brownsville. It is operated by an appointed board. The board comprises seven members, four of whom are appointed by the Haywood County Commission. The remaining three members are appointed by the City of Brownsville. Haywood County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed. Haywood County contributed \$75,272 to the operations of the library during the year ended June 30, 2014.

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

Administrative Offices:

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

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

HTL Advantage
1469 South Main Street
Covington, TN 38019

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

G. Retirement Commitments

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Haywood County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 11.99 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2014, Haywood County's annual pension cost of \$1,106,526 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was two years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-14	\$1,106,526	100%	\$0
6-30-13	1,111,708	100	0
6-30-12	1,189,567	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 96.57 percent funded. The actuarial accrued liability for benefits was \$32.47 million, and the actuarial value of assets was \$31.36 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.11 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.06 million, and the ratio of the UAAL to the covered payroll was 12.28 percent.

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 values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL TEACHERS

Plan Description

The Haywood County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing 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 to plan members and their beneficiaries. 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 who are at least 55 years of age or have 25 years of service. 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 plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are 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. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2014, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2014, 2013, and 2012, were \$1,152,098, \$1,144,939, and \$1,186,704, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2014, the School Department contributed \$166,589 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 137,000
Interest on the NOPEBO	26,584
Adjustment to the ARC	<u>(25,900)</u>
Annual OPEB cost	\$ 137,684
Less: Amount of contribution	<u>(166,589)</u>
Increase/decrease in NOPEBO	\$ (28,905)
Net OPEB obligation, 7-1-13	<u>664,611</u>
Net OPEB obligation, 6-30-14	<u>\$ 635,706</u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 270,004	52%	\$ 535,716
6-30-13	"	271,683	53	664,611
6-30-14	"	137,684	121	635,706

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 1,303,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,303,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,988,667
UAAL as a % of covered payroll	10%

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, 2013, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 7.5 percent for fiscal year 2014. The trend will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*. This act provides for all purchases exceeding \$10,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Chief Administrative Highway Officer

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

Office of Director of Schools

Purchasing procedures for the discretely presented School Department are governed by purchasing laws applicable to schools as set forth in

Section 49-2-203, TCA, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

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

A. **Summary of Significant Accounting Policies**

1. **Reporting Entity**

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

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

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

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

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

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

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

a. **Deposits and Investments**

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

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

b. **Accounts Receivable**

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

c. **Capital Assets**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Distribution Plant	33 - 40

d. **Compensated Absences**

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

e. **Long-term Obligations**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

f. **Net Position**

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

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

g. **Net Position Flow Assumption**

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

h. Impact of Recently Issued Accounting Pronouncements

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement was effective for periods beginning after December 15, 2012.

B. Stewardship, Compliance, and Accountability

Budgetary Information

The district does not adopt a formal budget.

C. Detailed Notes

1. Deposits and Investments

Custodial Credit Risk – The district’s policies limit deposits and investments to those instruments allowed by applicable state laws and are described below. State statute requires that all deposits with financial institutions be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district’s agent in the district’s name, or by the Federal Reserve Banks acting as third-party agents. State statutes also authorize the district to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, the district had no risk exposure.

2. Receivables

Receivables as of June 30, 2014, consisted of the following:

	<u>Balance</u> <u>6-30-14</u>
Billed Services for Utility Customers	\$ 25.671

3. **Capital Assets**

Capital assets activity during the year was as follows:

Description	Balance 7-1-13	Additions	Balance 6-30-14
Capital Assets, Not Depreciated	\$ 18,401	\$ 0	\$ 18,401
Capital Assets, Depreciated	\$ 5,014,664	\$ 0	\$ 5,014,664
Less Accumulated Depreciation	\$ 1,604,339	\$ 137,987	\$ 1,742,326
Total Capital Assets, Depreciated, Net	\$ 3,410,325	\$ (137,987)	\$ 3,272,338
Total Capital Assets, Net	\$ 3,428,726	\$ (137,987)	\$ 3,290,739

4. **Long-term Debt**

Long-term debt is comprised of the following:

	Balance 6-30-14
General Obligation Bonds:	
General Obligation Bonds, Series 1998 interest at 4.875% due serially through 2037	\$ 445,530
Total General Obligation Bonds	\$ 445,530
Total Current Portion of General Obligation Bonds	\$ 10,960
Total Long-term Portion of General Obligation Bonds	\$ 434,570

In the year ended June 30, 1998, Haywood County issued \$560,000 of General Obligation Bonds, Series 1998 to the Rural Utility Services for construction of the district's water distribution system. This bond is in the name of Haywood County, and although Haywood County is ultimately responsible for the debt repayment, the district has agreed to and is repaying the debt.

The following is a summary of long-term debt transactions for the year ended June 30, 2014.

	<u>Bonds</u>
Balance, July 1, 2013	\$ 456,192
Reductions	<u>(10,662)</u>
Balance, June 30, 2014	<u>\$ 445,530</u>
Balance Due Within One Year	<u>\$ 10,960</u>

The scheduled annual requirements for long-term debt at June 30, 2014, are as follows:

Year Ending June 30	Bonds		Total
	Principal	Interest	
2015	\$ 10,960	\$ 21,565	\$ 32,525
2016	11,501	21,024	32,525
2017	12,010	20,514	32,524
2018	12,661	19,864	32,525
2019	13,286	19,239	32,525
2020-2024	76,874	85,749	162,623
2025-2029	97,782	64,840	162,622
2030-2034	124,472	38,151	162,623
2035-2037	85,984	7,155	93,139
Total	<u>\$ 445,530</u>	<u>\$ 298,101</u>	<u>\$ 743,631</u>

5. Net Position

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

	<u>Balance 6-30-14</u>
Net Investment in Capital Assets:	
Net Property, Plant and Equipment in Services	\$ 3,290,739
Less: Debt Disclosed in Note VI.C.4.	<u>(445,530)</u>
	\$ 2,845,209
Unrestricted	<u>357,019</u>
Total Net Position	<u>\$ 3,202,228</u>

D. Other Information

Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2014, the district did not purchase any insurance. The district contracts with Brownsville Energy Authority for services necessary to operate and maintain the district. No settled claims have been incurred in any of the above mentioned risk categories during the past three years, and there has been no significant reduction in the coverage provided.

VII. OTHER NOTES – DISCRETELY PRESENTED HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. General Information

The Haywood County Emergency Communications District, a component unit of Haywood County, is a quasi-municipality, which was formed to establish and provide emergency communications services to the residents of Haywood County. Revenues are received from a tariff charged and collected by area telephone companies. The district's board is appointed by the county. The county is provided with the board's budget for information purposes prior to the beginning of the respective fiscal year. The Board of Directors for the district is responsible for all major budget decisions.

The accounting and reporting framework and the more significant accounting principles and practices of the Haywood County Emergency Communications District are discussed in subsequent sections of this note. The remaining notes are organized to provide explanations, including required disclosures of the district's financial activities for the fiscal year ended June 30, 2014.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating activities of the district are charges to customers for services. Operating

expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. **Significant Accounting Policies**

1. **Cash, Investments, and Regulations**

The district considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. State statutes authorize the government and the district to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the district are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. As of June 30, 2014, investments consisted entirely of certificates of deposit.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2014, there was no exposure to custodial credit risk due to being entirely covered by federal depository insurance, the pool, and pledged collateral held by the pledging financial institution's agency in the entity's name. The district has a total of \$1,061,663 of cash and cash equivalents.

2. **Capital Assets And Depreciation**

The district's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The district generally capitalizes assets with a cost of \$1,000 or more at the time of purchase. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Threshold Amount</u>	<u>Years</u>
Buildings	\$ 5,000	30-40
Improvements Other Than Buildings	5,000	30-40
Tower	1,000	30-40
Equipment	1,000	7-10
Computer Equipment	1,000	5-7
Furniture and Fixtures	1,000	5-7

3. **Fund Equity**

The proprietary fund financial statements report restricted net position for amounts not available for appropriation or legally restricted for specified purposes.

4. **Budgetary Information**

The district's Board of Directors approves an appropriatory budget annually. The budget is prepared on a basis, which differs from generally accepted accounting principles pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets, and expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line-item of expense; therefore, each line-item must be amended prior to expending funds.

The fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenses are budgeted by class as follows: salaries, compensation-related, services and supplies, computer and equipment, supplies, travel, equipment rental, core material, and miscellaneous. Expenses may not exceed appropriations. The budget for the operating funds is prepared on the cash and expenditures basis. Revenues are budgeted in the year funds are expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

The County Commission is provided with the district's budget for information purposes prior to the beginning of the respective fiscal year. Once approved, the board may amend the legally adopted budget when unexpected modifications are required. However, final authority on all major decisions rests with the County Commission.

D. **Receivables**

Accounts receivable are tariffs due from area telephone companies within the next month. Revenue is recorded when eligibility requirements are met.

E. Prepaid Warranty

The district purchased extensive communication equipment. The purchase agreement contains a five-year service warranty agreement.

F. Capital Assets

The following table provides a summary of changes in capital assets:

	Balance		Balance
	7-1-13	Increases	6-30-14
Capital Assets Being			
Depreciated:			
Office Equipment - Computers	\$ 27,852	\$ 0	\$ 27,852
Office Furniture	13,254	0	13,254
Communications Equipment	878,050	17,844	895,894
Warranty	58,211	0	58,211
Total Capital Assets			
Being Depreciated	<u>\$ 977,367</u>	<u>\$ 17,844</u>	<u>\$ 995,211</u>
Less Accumulated			
Depreciation:			
Office Equipment - Computers	\$ 12,070	\$ 5,570	\$ 17,640
Office Furniture	5,896	2,597	8,493
Communications Equipment	283,794	85,122	368,916
Warranty	25,445	11,702	37,147
Total Accumulated			
Depreciation	<u>\$ 327,205</u>	<u>\$ 104,991</u>	<u>\$ 432,196</u>
Total Capital Assets, Net	<u>\$ 650,162</u>	<u>\$ (87,147)</u>	<u>\$ 563,015</u>

G. Risk Management

The district is vulnerable to two types of losses. The first is the physical loss of capital assets from theft, fire, etc. Other losses are from civil actions based on negligence in relation to the disposition of emergency calls. Neither of these losses has occurred since the district's inception. However, the district has third-party insurance coverage that is adequate to cover any occurrence.

H. Litigations and Contingencies

The district does not have litigations or contingencies at June 30, 2014.

Copies of the complete financial statements of the County for the current Fiscal Year are available at <http://www.comptroller1.state.tn.us/la/CountySelect.asp>