NEW ISSUE
BOOK-ENTRY-ONLY

PRELIMINARY OFFICIAL STATEMENT

$9,900,000*
JEFFERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

OFFERED FOR SALE NOT SOONER THAN

Thursday, October 5, 2017 at 10:15 A.M. E.D.T.
Through the Facilities of ***PARITY***®
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Financial Advisor

September 27, 2017

*Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 27, 2017

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: Moody's – "Applied For"
(See "MISCELLANEOUS-Rating" herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals 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 Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)

$9,900,000*
JEFFERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

Dated: Date of delivery (Assume October 27, 2017). Due: June 1, as shown below.

The $9,900,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2018 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only 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.

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

Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**	Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**
2018	$ 10,000				2021	$ 2,050,000			
2019	1,620,000				2022	2,085,000			
2020	2,040,000				2023	2,095,000			

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 Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Rainwater, Drinnon & Churchwell, PLLC, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about October __, 2017.

Cumberland Securities Company, Inc.
Financial Advisor

____ __, 2017

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

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This 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 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 McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The County is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

JEFFERSON COUNTY, TENNESSEE

OFFICIALS

County Mayor	Alan Palmieri
County Clerk	R.E. Farrar III
Finance Director	Langdon Potts
Director of Schools	Dr. Charles Edmonds
County Trustee	Ginger Franklin
County Attorney	Rainwater, Drinnon & Churchwell, PLLC

BOARD OF COUNTY COMMISSIONERS

Randy Bales	John McGraw
Randy Baxley	Rita Musick
Robert Beeler	John Neal Scarlett
Robert Blevins	David Seal
Jimmy Carmichael	Tim Seals
Terry Dockery	Barbara Jean Sheets
Steve Douglas	Sammy Solomon
Ralf "Gene" Eslinger	Donnie Tabor
David Gaut	Robert Tucker
Katy Fox Huffaker	Russell Turner
Todd Kesterson	

BOND REGISTRAR AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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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 Issuer ..... Jefferson County, Tennessee (the "County" or "Issuer"). See APPENDIX B contained herein.

Securities Offered..... $9,900,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds") of the County, dated the date of issuance (assume October 27, 2017). The Bonds mature each June 1 beginning June 1, 2018 through June 1, 2023, inclusive. See section entitled "SECURITIES OFFERED" herein for additional information.

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

Purpose ..... The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds of the County, as described herein; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED - Authority and Purpose" contained herein.

Optional Redemption ..... The Bonds are not subject to optional redemption prior to maturity. 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 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..... Moody's: "Applied For". See the section entitled "MISCELLANEOUS - Rating" for more information.

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

Underwriter..... _____.

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

*Preliminary, subject to change.

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

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

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

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

Other Information..... The information in this *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof 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 Alan Palmieri, County Mayor, 1244 Gay Street, Dandridge, TN 37725, Telephone: (865) 397-3800,; or the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508, Knoxville, Tennessee 37933, 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

	2012	2013	2014	2015	2016
Beginning Fund Balance	$5,205,740	$6,068,814	$6,099,083	$6,261,169	$6,100,290
Revenues	19,676,869	19,491,866	19,510,459	20,343,503	22,263,877
Expenditures	18,318,688	19,126,308	19,948,115	20,023,823	19,594,504
Excess (Deficiency) of Revenues Over Expenditures					
Insurance Recovery	43,939	41,786	164,553	74,147	266,606
Transfers In	-	225,000	742,500	373,200	-
Transfers Out	(539,046)	(602,075)	(391,008)	(927,906)	(820,667)
Restatement	-	-	83,697	-	-
Ending Fund Balance	**$6,068,814**	**$6,099,083**	**$6,261,169**	**$6,100,290**	**$8,215,602**

Source: Comprehensive Annual Financial Reports of the County.

SUMMARY NOTICE OF SALE

$9,900,000*

JEFFERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

NOTICE IS HEREBY GIVEN that the County Mayor of Jefferson County, Tennessee (the "County") will receive electronic or written sealed bids until **10:15 a.m. E.D.T.** on **Thursday, October 5, 2017** for the purchase of all, but not less than all, of the County's $9,900,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds"). Electronic bids must be submitted through ***PARITY***® as described in the "Detailed Notice of Sale". In case of written sealed bids, bids will be received by the County's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount and maturity amounts 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-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume October 27, 2017). The Bonds will mature on June 1 in the years 2018 through 2023, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2018, and will not be subject to optional redemption prior to maturity. Bidders must bid not less than ninety-nine and one-half percent (99.50%) of par or 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 Bass, Berry & Sims PLC, Bond Counsel, Knoxville, 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 Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

In the event that the competitive sale requirements are not satisfied, the County will reject all bids and cancel the sale.

Unless bids are rejected, the Bonds will be awarded by the 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 through www.prospectushub.com or from the County's Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee (865) 988-2663.

*Preliminary, subject to change.

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/ Alan Palmieri
County Mayor

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DETAILED NOTICE OF SALE
$9,900,000*

JEFFERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

NOTICE IS HEREBY GIVEN that the County Mayor of Jefferson County, Tennessee (the "County") will receive electronic or written sealed bids until **10:15 a.m. E.D.T.** on **Thursday, October 5, 2017** for the purchase of all, but not less than all, of the County's $9,900,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds"). Electronic bids must be submitted through *PARITY*® as described in the "Detailed Notice of Sale." In case of written bids, bids will be received by the County's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863 Prior to accepting bids, the County reserves the right to adjust the principal amount and maturity amounts 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 fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance (assume October 27, 2017), bear interest payable each June 1 and December 1, commencing June 1, 2018, 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, and will mature and be payable as follows:

YEAR (June 1)	AMOUNT*	YEAR (June 1)	AMOUNT*
2018	$ 10,000	2021	$ 2,050,000
2019	1,620,000	2022	2,085,000
2020	2,040,000	2023	2,095,000

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-only 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. 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 or upon earlier redemption 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,

*Preliminary, subject to change.

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 the Book-Entry-Only system is not required.

In the event that the Book-Entry-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 territorial limits of the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Municipal Bond Insurance. The County has provided information to prospective bond insurance companies in order to qualify the Bonds under their respective optional bidding programs. If the successful bidder or bidders for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder or bidders does so at its own risk and expense and the obligation of the successful bidder to pay for such series Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The County will cooperate with the successful bidder(s) in obtaining such insurance, but the County will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder(s) will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of Standard & Poor's that will be paid by the County.

Purpose. The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds of the County as defined herein; and (ii) payment of the costs related to the issuance and sale of the Bonds.

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

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 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 manner provided 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-half percent (99.50%) of par or no more than one hundred and twenty-five percent (125%) of par.

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, 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 <u>only</u>, bidders may submit bids 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 bids should be submitted by facsimile to the County's Financial Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

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

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the County Mayor 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.

After receipt of the bids, the County reserves the right to make adjustments and/or revisions to the Bonds, as described below.

<u>Adjustment and/or Revision</u>. 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 or if the refundings fail to save the County the funds necessary

to complete the refundings. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to $2,500,000. The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. 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 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 occur if the bidder bids the maximum price.

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 Standard 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 (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 transferf 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.

Establishment of Issue Price

General. The winning bidder shall assist the County in establishing the issue price of the Bonds as more fully described herein. All actions to be taken by the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County's financial advisor identified herein and any notice or report to be provided to the County may be provided to the County's financial advisor.

Anticipated Compliance with Competitive Sale Requirements. The County anticipates that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- the County shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- all bidders shall have an equal opportunity to bid;
- the County expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

- the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the County will reject all bids and cancel the sale.

Issue Price Certificate. The winning bidder will be required to provide the County, at closing, with an issue price certificate consistent with the foregoing. A form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A.

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 underwriters 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.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the County as is described above relating to reoffering price.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, 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. 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 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 to the successful bidder. Delivery will be made in book-entry-only 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.

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 the *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 to the persons to whom such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. 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 County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508, Knoxville, Tennessee, 37933, 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/ Alan Palmieri, County Mayor

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Exhibit A to Detailed Notice of Sale

JEFFERSON COUNTY, TENNESSEE
$9,900,000 GENERAL OBLICATION REFUNDING BONDS, SERIES 2017
ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed below (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Exhibit A is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds and the Expected Offering Prices submitted by the Underwriter on the Sale Date.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Issuer* means Jefferson County, Tennessee.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale or exchange the Bonds. The Sale Date of the Bonds is ____ __, 2017.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal

income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [Issue Date]

[UNDERWRITER], as Underwriter

By:_____

Name:_____

BID FORM

Honorable Alan Palmieri, County Mayor
1244 Gay Street
Dandridge, TN 37725

October 5, 2017

Dear Mr. Palmieri:

For your legally issued, properly executed $9,900,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds") of Jefferson County, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ _____ ($_____).

The Bonds shall be dated the date of issuance (assume October 27, 2017) 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:

Maturity (June 1)	Amount*	Rate	Maturity (June 1)	Amount*	Rate
2018	$ 10,000	___	2021	$ 2,050,000	___
2019	1,620,000	___	2022	2,085,000	___
2020	2,040,000	___	2023	2,095,000	___

We have elected the option to designate two or more consecutive serial maturities 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 are offered for sale as "qualified tax exempt obligation" subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, 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 Bonds on which we have bid by the close of business on the date following 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.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
Jefferson County, Tennessee, this
5th day of October, 2017.

_____
Alan Palmieri, County Mayor

Respectfully submitted,

_____

_____

Total interest cost from
October 27, 2017 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.

$9,900,000*
JEFFERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Jefferson County, Tennessee (the "County") of $9,900,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 et. seq., *Tennessee Code Annotated,* and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on September 18, 2017 (the "Resolution").

The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds, as described in the "Refunding Plan" below; and (ii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The County intends to refinance its outstanding General Obligation Refunding Bonds, Series 2009, dated October 20, 2009, maturing June 1, 2019 through June 1, 2023 to the June 1, 2018 call date (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.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery (assume October 27, 2017). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2018. The Bonds are issuable in book-entry-only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

*Preliminary, subject to change.

SECURITY

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION OF THE BONDS

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

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 within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

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

Maturity	Redemption Date	Principal Amount of Bonds Redeemed

*Final Maturity

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

NOTICE OF REDEMPTION

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

County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows. 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-Only 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 of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

DISPOSITION OF BOND PROCEEDS

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

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

(b) an amount, which together with investment earnings thereon and legally available funds an amount, which together with legally available funds of the County, if any, and investment earnings thereon, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Bond until and through the redemption date therefor shall be transferred to the Escrow Agent under the Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein or with respect to the Outstanding Bond to be held to the earliest optional redemption date; and

(c) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

DISCHARGE AND SATISFACTION OF BONDS

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

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

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon

when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

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

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

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

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes of this Section, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"),
- 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 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 the section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

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

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

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

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts

withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official*

Statement, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement,* in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

Moody's Investors Service ("Moody's") has given the Bonds the rating of "____".

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

The rating reflects only the views of Moody's and any explanation of the significance of such rating should be obtained from Moody's.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on October 5, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated September 27, 2017.

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 less an original issue discount of $_____) or ____% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

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

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing needs that may or may not require the issuance of additional debt.

DEBT LIMITATIONS

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

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

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information 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, 2017 (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 Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year Filing History. In the past five years, the County has filed its Annual Reports at www.emma@msrb.org under the base CUSIP Number 473484 which is the base CUSIP Number for the County; however, the County inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the County was an obligated person. The County has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Number. While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The County does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the County, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-8;

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-9 and B-10;

3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as shown on page B-11;

4. The fund balances and retained earnings for the fiscal year as shown on page B-12;

6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-13;

7. 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-19;

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-19; and

9. The ten largest taxpayers as shown on page B-20.

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

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

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders, if material;

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

   i. Defeasances;

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

   k. Rating changes;

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

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

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

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

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

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

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

(c) The amendment or waiver 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 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF THE COUNTY

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

/s/ _____
County Mayor

ATTEST:

/s/ _____
County Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Jefferson County, Tennessee (the "Issuer") of the $_____ General Obligation Refunding Bonds, Series 2017 (the "Bonds") dated _____, 2017. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding the federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or

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

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

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

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

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

Yours truly,

APPENDIX B

JEFFERSON COUNTY, TENNESSEE

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Jefferson County (the "County") is located in the northeastern part of the State of Tennessee. To the North, the County is bounded by Grainger and Hamblen Counties. Cocke County serves as the County's eastern border while Sevier County provides the County's southern border. To the west, the County is bordered by Knox County. The Town of Dandridge, the county seat, is located 30 miles east of Knoxville. Three other cities lie within the boundaries of the County: Jefferson City, New Market, Baneberry and White Pine.

GENERAL

The County has a total land area of approximately 203,520 acres or 318 square miles. Proportion of land devoted to farming stands at 84.6%, with tobacco being the leading money crop. Other crops include corn, hay and sorghum. Natural resources include zinc, yellow pine and oak.

The County is part of the Morristown Metropolitan Statistical Area (the "MSA") that had a population of 136,137 according to the 2010 US Census. The MSA includes Hamblen, Jefferson and Grainger Counties.

The County is also part of the Knoxville-Sevierville-Harriman-LaFollette Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. According to the 2010 U.S. Census, Jefferson County had a population of approximately 51,407. The largest city in the County, Jefferson City, has a population of 8,047. The Town of Dandridge had a 2010 US Census population of 2,812.

THE COUNTY

The governing or legislative body of the County is a twenty-one (21) member Board of County Commissioners which is elected to concurrent four-year terms of office by direct vote of electors from each of the ten (10) districts of the County. The County Mayor is the chief administrative officer and ceremonial head of the County and is elected by direct vote of the people to a four-year term of office. The County Mayor is the chief accounting officer and fiscal agent of the County.

The County government provides a normal array of public services characteristic of county governments in Tennessee including a county-wide educational system, highway construction and maintenance, judicial services and detention facilities, industrial recruitment and development and solid waste disposal.

TRANSPORTATION

Interstates I-40 and I-81 meet in Jefferson County. Interstate 75 is easily accessible 28 miles southwest of Jefferson City, in Knoxville. The County is also served by U.S. Highways 11-E and 25-W. There are five state highways traversing the County as well, 113, 81, 40 and 32.

Four motor freight companies serve the County. Terminal facilities are located in the Dandridge and White Pine areas. Seventy percent of American markets are accessible through second day motor freight service. The County is home to major hubs for Old Dominion and Roadway freight carriers. Rail service is provided by the Northfolk/Southern Railroad.

Non-commercial air service is available at the Moore-Murrell Airport in the City of Morristown in Hamblen County, seven miles north of the County. The airport has a modern, 5,700 foot asphalt runway. Commercial air service is located at the McGhee Tyson Airport in Knoxville, 36 miles southwest of the County.

EDUCATION

The *Jefferson County School System* serves the County with twelve total schools, which include eight elementary schools, two middle schools, and one high school. The fall 2015 enrollment was 7,448 with about 469 teachers.

Source: Tennessee Department of Education.

Carson-Newman College is a private, Christian liberal arts institution that was founded in 1851. Carson-Newman has a 125 acres campus located in Jefferson City, Tennessee. Location within the foothills of the Great Smoky Mountains and in between two lakes, the campus is located 28 miles northeast of Knoxville. Fall 2015 had 2,362 enrollment. There are 53 majors available with four undergraduate degrees and four graduate degrees.

Source: Carson-Newman College.

The Tennessee Technology Center at Morristown. The Tennessee Technology Center at Morristown 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 Morristown serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. The Technology Center at Morristown main campus is located in Hamblen County. Fall 2014 enrollment was 950 students. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

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

HEALTHCARE

Jefferson Memorial Hospital was built in 2001 and is located in Jefferson City. It is part of the Tennova Healthcare system. A 58 bed, state-of-the-art medical facility, Jefferson Memorial serves people from Knoxville to Morristown with leading-edge technology. Providing

comprehensive medical services, Jefferson Memorial offers equipment and physicians trained in specialty areas like oncology, obstetrics and orthopedics as well as extensive outpatient surgery capabilities and diagnostic testing. It employs over 760 physicians, nurses and associates.

The original hospital was Jefferson Memorial Hospital built in 1960 located next to Carson-Newman College in Jefferson City. In 1997 the city and county-owned hospital joined St. Mary's Health System, based in Knoxville. In a few years, St. Mary's purchased 121 acres of farmland along the western edge of Jefferson City and built a state-of-the-art, $20 million hospital and medical office building that opened in January of 2001. The facility sits on 18 acres, leaving 103 acres for future development.

POWER PRODUCTION

The Tennessee Valley Authority has constructed two of its largest dams in Jefferson County. Cherokee Dam is 4 miles from Jefferson City and Douglas Dam is located 18 miles from the same city. The combined area of the two lakes is approximately 23,500 acres. The nearest port facilities are located on the Tennessee River in Knoxville, 28 miles southwest of the City.

Cherokee Dam. Tennessee Valley Authority's ("TVA") Cherokee Dam is located on the Holston River in Jefferson City, 52 miles upstream from the point at which the Holston and French Broad Rivers converge to form the Tennessee. Construction of Cherokee Dam began in August 1, 1940, and was completed on a crash schedule on December 5, 1941. The dam is 175 feet high and stretches over a mile at 6,760 feet. The generating capacity of the four hydroelectric units at Cherokee is 135,200 kilowatts of electricity. Cherokee Reservoir spans Jefferson, Grainger, Hamblen and Hawkins Counties.

Source: Tennessee Valley Authority.

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MANUFACTURING AND COMMERCE

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

Major Employers in Jefferson County

Company	Product	Employees
Old Dominion Freight Co.	Trucking	1,120
Jefferson Memorial Hosp.	Healthcare	764
Jefferson County Schools*	School System	504
Bush Brothers	Canned Foods	500
Carson Newman College	Education	375
American Book Co.	Distribution	310
Nashua / Rittenhouse Paper Co.	Paper Rolls, Labels	302
Jefferson County Government	Government	300
Dillard Smith Construction	Power Line Construction	181
Clayton Homes	Manufactured Mobile Homes	159
Ball Corporation	Metal Food Containers	153
Matsuo Industries	Automotive Parts	148
Algoma Hardwood / Appalachian Door	Door Manufacturing	130
Schrader Trucking	Trucking	105
City of Jefferson City	Government	78
Klote International	Manufacturing	69
Smokey Mtn. Knife Works	Knives	65

* Only includes Teachers and Administrators
Source: Jefferson County Chamber of Commerce, TN Department of Economic and Community Development and the Knoxville News Sentinel - 2017.

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EMPLOYMENT INFORMATION

For the month of May 2017, the unemployment rate for Jefferson County stood at 3.0% with 23,080 persons employed out of a labor force of 23,800.

The Morristown MSA's unemployment for May 2017 was at 3.1% with 49,360 persons employed out of a labor force of 50,92. As of May 2017, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 2.8%, representing 513,640 persons employed out of a workforce of 528,230.

	Unemployment				
	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	8.2%	6.7%	5.8%	4.8%
Jefferson County	**10.1%**	**9.8%**	**7.5%**	**6.5%**	**5.4%**
Index vs. National	125	132	121	123	110
Index vs. State	126	120	112	112	113
Morristown MSA	**9.6%**	**9.5%**	**7.4%**	**6.4%**	**5.3%**
Index vs. National	119	128	119	121	108
Index vs. State	120	116	110	110	110
Knoxville-Sevierville-Harriman CSA	**7.5%**	**7.7%**	**6.5%**	**6.5%**	**4.7%**
Index vs. National	93	104	105	123	96
Index vs. State	94	94	97	112	98

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

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ECONOMIC DATA

Per Capita Personal Income

	2011	2012	2013	2014	2015
National	$42,453	$44,267	$44,462	$46,414	$48,112
Tennessee	$37,452	$38,771	$38,806	$40,233	$42,094
Jefferson County	**$28,532**	**$29,428**	**$29,748**	**$30,875**	**$31,994**
Index vs. National	67	66	67	67	66
Index vs. State	76	76	77	77	76
Morristown MSA	**$30,329**	**$30,814**	**$31,126**	**$32,165**	**$33,463**
Index vs. National	71	70	70	69	70
Index vs. State	81	79	80	80	79
Knoxville-Sevierville-Harriman CSA	**$34,882**	**$36,329**	**$36,275**	**$37,595**	**$39,187**
Index vs. National	82	82	82	81	81
Index vs. State	93	94	93	93	93

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

Social and Economic Characteristics

	National	Tennessee	Jefferson County	Jefferson City
Median Value Owner Occupied Housing	$178,600	$142,100	$128,800	$107,400
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	82.4%	82.6%
% Persons with Income Below Poverty Level	13.50%	16.70%	16.8%	23.3%
Median Household Income	$53,889	$45,219	$42,417	$33,672

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

RECREATION

Cherokee Reservoir. Tennessee Valley Authority's ("TVA") Cherokee Dam is located on the Holston River in Jefferson City, 52 miles upstream from the point at which the Holston and French Broad Rivers converge to form the Tennessee. Cherokee Reservoir spans Jefferson, Grainger, Hamblen and Hawkins Counties. The Reservoir attracts millions of recreational visitors each year to its public access areas, fishing areas, camping sites, county and municipal

parks, commercial boat docks and resorts, a state park, and a state wildlife management area. Cherokee was built to generate hydroelectric power during the World War II emergency, but it also plays an important role as one of the chain of TVA reservoirs that over the years have prevented billions of dollars of flood damage in areas downstream. The deep waters of Cherokee Reservoir lose oxygen during the summer months, and the water that generates power is drawn out of these depths. In order to increase oxygen levels for aquatic life below the reservoir, TVA injects oxygen through miles of perforated hoses suspended above the reservoir bottom. TVA also uses huge, slow-turning fans just above the dam to push oxygenated surface water into the depths of the reservoir.

Source: Tennessee Valley Authority.

Douglas Reservoir. The Douglas Reservoir extends 43 miles upriver from Douglas Dam (located in nearby Sevier County) through the foothills of the Great Smoky Mountains. It travels through Jefferson, Sevier, Cocke and Hamblen Counties. Douglas and other TVA reservoirs built during World War II made a historic contribution, providing hydropower to drive the war effort. Under normal conditions, Douglas stores spring rainwater for release during the dry summer and fall months to maintain adequate depth for navigation on the Tennessee River and to generate electricity. Set against the backdrop of the lush, green Smoky Mountain foothills, Douglas attracts two million recreation visitors a year. Picnicking, camping, boating, and fishing are all popular activities at the Reservoir.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

Footwear Industries of Tennessee. FIT USA opened a plant in Jefferson City in May of 2014 with 50 employees. Production was moved from China. They plan to hire up to 109 employees. The 40,000-square-foot facility will be expanded with a $5 million investment with the goal of tripling their current business in the next two years. FIT USA manufactures a line of men's work and hunting boots.

Merchant House International Group. Merchant House purchased a 40,000-square-foot building in Jefferson City Industrial Park in 2013 and began production of a line of footwear in 214. The operation has been moved from China to Jefferson City, creating 109 jobs. The operation, known as Footwear Industries of Tennessee Inc., represents a $5.4 million investment.

Solar Array. A $200 million, 200 acre solar farm will be built by E.ON Climate and Renewables North America (the "E.ON") in New Market near the existing Appalachian Electric Cooperative solar array on Highway 11E. Construction will begin in late 2017. E.ON is a Chicago company that is the largest investor-owned utility in the world. The solar farm will generate 40 megawatts of solar power that will be immediately injected into the TVA and Appalachian Electric Cooperative grid.

Source: Jefferson County Chamber of Commerce, the Standard Banner and Knoxville News Sentinel.

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JEFFERSON COUNTY, TENNESSEE

SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2017 OUTSTANDING (1)
$ 13,305,000	Loan Agreement, Series E-3-D	Jun. 2026	Variable (2)	$ 7,765,000
13,740,000	Loan Agreement, Series V-G-1	Jun. 2019	Fixed	2,085,000
10,450,000	General Obligation Refunding Bonds, Series 2009	June 2023	Fixed	9,750,000
10,595,000	(3) Qualified School Construction Loan, Series 2010	2028	Fixed	6,738,518
16,000,000	(3) General Obligation Bonds, Series 2010 (Federally Taxable Recovery Zone Economic Development Bonds)	June 2040	Fixed	16,000,000
2,506,325	Loan Agreement, Series 2011 (EESI Loan)	March 2024	Fixed	1,501,487
9,900,000	General Obligation Bonds, Series 2012	June 2036	Fixed	9,100,000
9,995,000	General Obligation Bonds, Series 2013	June 2036	Fixed	9,295,000
4,285,000	General Obligation Refunding Bonds, Series 2014	June 2027	Fixed	3,185,000
6,790,000	General Obligation Bonds, Series 2015	June 2036	Fixed	6,790,000
4,215,000	General Obligation Refunding Bonds, Series 2016 (Nursing Home)	June 2037	Fixed	4,000,000
$101,781,325	**TOTAL GENERAL OBLIGATION BONDS**			$ 76,210,005
$ 9,900,000	General Obligation Refunding Bonds, Series 2017	June 2023	Fixed	$ 9,900,000
(9,650,000)	Less: Bonds Being Refunded (2009)			(9,650,000)
$ 102,031,325	**NET TOTAL DEBT**			**$ 76,460,005**

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 CAFR. Also, does not include any outstanding Notes held by the County Trustee payable from the Gneral Purpose School Fund.

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

JEFFERSON COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

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

	For the Fiscal Year Ended June 30				Unaudited	After Issuance
INDEBTEDNESS	**2013**	**2014**	**2015**	**2016**	**2017**	**2017**
TAX SUPPORTED						
General Obligation Bonds & Notes	$86,592,774	$82,980,631	$85,436,158	$80,712,800	$76,210,005	$76,460,005
TOTAL TAX SUPPORTED	86,592,774	82,980,631	85,436,158	80,712,800	76,210,005	76,460,005
TOTAL DEBT	$86,592,774	$82,980,631	$85,436,158	$80,712,800	$76,210,005	$76,460,005
Less: Debt Service Fund	(8,181,701)	(7,667,642)	(6,749,125)	(7,120,532)	(7,120,532)	(7,120,532)
NET DIRECT DEBT	$78,411,073	$75,312,989	$78,687,033	$73,592,268	$69,089,473	$69,339,473
PROPERTY TAX BASE						
Estimated Actual Value	$4,297,767,112	$4,299,303,449	$4,116,842,597	$4,156,914,737	$4,376,190,440	$4,376,190,440
Appraised Value	4,297,767,112	4,299,303,449	4,116,842,597	4,156,914,737	4,205,956,632	4,205,956,632
Assessed Value	1,186,403,235	1,185,353,097	1,145,216,134	1,155,966,436	1,170,469,245	1,170,469,245

	For the Fiscal Year Ended June 30				Unaudited	After Issuance
DEBT RATIOS	**2013**	**2014**	**2015**	**2016**	**2017**	**2017**
TOTAL DEBT to Estimated Actual Value	2.01%	1.93%	2.08%	1.94%	1.74%	1.75%
TOTAL DEBT to Appraised Value	2.01%	1.93%	2.08%	1.94%	1.81%	1.82%
TOTAL DEBT to Assessed Value	7.30%	7.00%	7.46%	6.98%	6.51%	6.53%
NET DIRECT DEBT to Estimated Actual Value	1.82%	1.75%	1.91%	1.77%	1.58%	1.58%
NET DIRECT DEBT to Appraised Value	1.82%	1.75%	1.91%	1.77%	1.64%	1.65%
NET DIRECT DEBT to Assessed Value	6.61%	6.35%	6.87%	6.37%	5.90%	5.92%
PER CAPITA RATIOS						
POPULATION (1)	52,123	52,677	53,535	53,535	53,535	53,535
PER CAPITA PERSONAL INCOME (2)	$29,748	$30,875	$31,994	$31,994	$31,994	$31,994
Estimated Actual Value to POPULATION	$82,454	$81,616	$76,900	$77,649	$81,744	$81,744
Assessed Value to POPULATION	$22,762	$22,502	$21,392	$21,593	$21,864	$21,864
Total Debt to POPULATION	$1,661	$1,575	$1,596	$1,508	$1,424	$1,428
Net Direct Debt to POPULATION	$1,504	$1,430	$1,470	$1,375	$1,291	$1,295
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.58%	5.10%	4.99%	4.71%	4.45%	4.46%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.06%	4.63%	4.59%	4.30%	4.03%	4.05%

(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.

JEFFERSON COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended 6/30	Existing Debt (1) - As of June 30, 2017				General Obligation Refunding Bonds, Series 2017			% 2017 Principal Repaid	Less: Refunded Bonds			Total Bonded Debt Service Requirements (1)				% Total Principal Repaid
	Principal	Interest (2)	Estimated Rebate (3)	TOTAL	Principal	Interest (4)	TOTAL		Principal	Interest	TOTAL	Principal	Interest (2)	Estimated Rebate (3)	TOTAL	
2018	$ 4,547,895	$ 3,257,373	$ (919,319)	$ 6,885,950	$ 10,000	$ 79,600	$ 89,600	0.10%	$ -	$ (321,531)	$ (321,531)	$ 4,557,895	$ 3,015,442	$ (919,319)	$ 6,654,018	5.96%
2019	4,643,127	3,099,406	(919,319)	6,823,215	1,620,000	129,565	1,749,565	16.46%	(1,500,000)	(321,531)	(1,821,531)	4,763,127	2,907,440	(919,319)	6,751,248	
2020	4,823,491	2,954,844	(919,319)	6,859,017	2,040,000	111,745	2,151,745	37.07%	(1,950,000)	(272,781)	(2,222,781)	4,913,491	2,793,808	(919,319)	6,787,981	
2021	4,963,987	2,810,122	(919,319)	6,854,790	2,050,000	87,265	2,137,265	57.78%	(2,000,000)	(209,406)	(2,209,406)	5,013,987	2,687,981	(919,319)	6,782,649	
2022	5,004,627	2,670,736	(919,319)	6,756,044	2,085,000	60,615	2,145,615	78.84%	(2,075,000)	(144,406)	(2,219,406)	5,014,627	2,586,944	(919,319)	6,682,253	31.73%
2023	5,155,399	2,525,475	(919,319)	6,761,555	2,095,000	31,425	2,126,425	100.00%	(2,125,000)	(74,375)	(2,199,375)	5,125,399	2,482,525	(919,319)	6,688,605	
2024	3,265,739	2,371,783	(919,319)	4,718,203	-	-	-		-	-	-	3,265,739	2,371,783	(919,319)	4,718,203	
2025	3,176,111	2,288,387	(919,319)	4,545,179	-	-	-		-	-	-	3,176,111	2,288,387	(919,319)	4,545,179	
2026	2,611,111	2,203,537	(919,319)	3,895,329	-	-	-		-	-	-	2,611,111	2,203,537	(919,319)	3,895,329	
2027	2,456,190	2,152,274	(919,319)	3,689,145	-	-	-		-	-	-	2,456,190	2,152,274	(919,319)	3,689,145	53.49%
2028	1,887,325	1,854,733	(680,988)	3,061,070	-	-	-		-	-	-	1,887,325	1,854,733	(680,988)	3,061,070	
2029	1,880,000	1,555,955	(442,656)	2,993,299	-	-	-		-	-	-	1,880,000	1,555,955	(442,656)	2,993,299	
2030	1,955,000	1,510,110	(442,656)	3,022,454	-	-	-		-	-	-	1,955,000	1,510,110	(442,656)	3,022,454	
2031	2,035,000	1,459,223	(442,656)	3,051,567	-	-	-		-	-	-	2,035,000	1,459,223	(442,656)	3,051,567	
2032	2,100,000	1,405,375	(442,656)	3,062,719	-	-	-		-	-	-	2,100,000	1,405,375	(442,656)	3,062,719	66.38%
2033	2,185,000	1,348,088	(442,656)	3,090,432	-	-	-		-	-	-	2,185,000	1,348,088	(442,656)	3,090,432	
2034	2,275,000	1,286,100	(442,656)	3,118,444	-	-	-		-	-	-	2,275,000	1,286,100	(442,656)	3,118,444	
2035	2,370,000	1,217,338	(442,656)	3,144,682	-	-	-		-	-	-	2,370,000	1,217,338	(442,656)	3,144,682	
2036	2,445,000	1,145,688	(442,656)	3,148,032	-	-	-		-	-	-	2,445,000	1,145,688	(442,656)	3,148,032	
2037	3,480,000	1,071,825	(442,656)	4,109,169	-	-	-		-	-	-	3,480,000	1,071,825	(442,656)	4,109,169	83.06%
2038	4,175,000	857,938	(358,275)	4,674,663	-	-	-		-	-	-	4,175,000	857,938	(358,275)	4,674,663	
2039	4,325,000	581,344	(242,769)	4,663,575	-	-	-		-	-	-	4,325,000	581,344	(242,769)	4,663,575	
2040	4,450,000	294,813	(123,114)	4,621,699	-	-	-		-	-	-	4,450,000	294,813	(123,114)	4,621,699	100.00%
	$ 76,210,005	$ 41,922,465	$ (14,582,240)	$ 103,550,229	$ 9,900,000	$ 500,215	$ 10,400,215		$ (9,650,000)	$ (1,344,031)	$ (10,994,031)	$ 76,460,005	$ 41,078,648	$ (14,582,240)	$ 102,956,413	

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 CAFR. Also, does not include any outstanding Notes held by the County Trustee payable from the Gneral Purpose School Fund.

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

(3) The original federal subsidy of on the Qualified School Construction Loan, Series 2010 and the General Obligation Bonds, Series 2010 (Federally Taxable Recovery Zone Economic Development Bonds) (Dated: 12/20/2010) has been reduced by 6.9% for the federal fiscal year ending September 30, 2017 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2017, the sequestration rate will be 6.6%. After October 1, 2018 the sequestration rate will be subject to change.

(4) Estimated Interest Rates. Estimated Average Coupon of 1.36%.

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30				
Fund Type	**2012**	**2013**	**2014**	**2015**	**2016**
Governmental Funds:					
General	$ 6,068,814	$ 6,099,083	$ 6,261,169	$ 6,100,290	$ 8,215,602
Other Special Revenue	3,101,200	3,856,964	3,925,590	3,948,488	4,693,593
Public Works	2,231,075	2,456,094	1,931,606	2,055,811	2,107,082
Debt Service	9,330,512	8,181,701	7,667,642	6,749,125	7,120,532
Other Governmental	2,058,288	1,714,407	62,295,117	1,394,460	1,399,423
Total	**$22,789,889**	**$22,308,249**	**$22,081,124**	**$20,248,174**	**$23,536,232**
Proprietary Net Assets:					
Solid Waste	$(3,551,730)	$(3,622,391)	$(3,570,075)	$(2,291,309)	$(1,824,938)
Employee Ins.	118,860	140,447	133,505	107,162	78,012
Total	**$(3,432,870)**	**$(3,481,944)**	**$(3,436,570)**	**$(2,184,147)**	**$(1,746,926)**

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

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

	2012	2013	2014	2015	2016
Revenues:					
Local taxes	$ 10,934,953	$ 10,517,809	$ 10,671,221	$ 11,161,453	$ 12,387,774
Licenses and Permits	243,074	285,678	282,134	351,546	404,041
Fines, forfeitures and penalties	444,322	309,633	329,762	353,961	378,138
Charges for current services	3,236,272	3,412,129	3,515,500	3,501,079	3,630,559
Other local revenues	523,480	557,702	628,178	720,429	626,143
Fees Received From County Officials	1,405,186	1,500,971	1,418,499	1,592,946	1,845,487
State of Tennessee	1,946,081	2,158,813	1,807,530	1,797,490	2,187,219
Federal Government	772,073	635,352	649,691	631,027	649,486
Other Governments & Citizens Groups	171,428	113,779	207,944	233,572	155,030
Total Revenues	$ 19,676,869	$ 19,491,866	$ 19,510,459	$ 20,343,503	$ 22,263,877
Expenditures:					
General Government	$ 1,989,156	$ 2,039,075	$ 2,265,413	$ 2,333,854	$ 2,404,489
Finance	1,900,622	1,981,256	2,101,181	2,384,655	1,996,440
Administration of Justice	1,506,508	1,584,721	1,659,224	1,599,745	1,527,168
Public Safety	6,663,520	6,829,610	7,120,649	6,979,605	7,263,304
Public Health & Welfare	4,530,653	4,881,350	4,980,491	4,789,759	4,504,209
Social, Cultural & Recreational Services	573,951	588,381	577,091	649,983	669,826
Agricultural & Natural Resources	130,975	133,893	139,584	143,715	130,649
Other Operations	1,023,303	1,088,022	1,104,482	1,142,507	1,098,419
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Expenditures	$ 18,318,688	$ 19,126,308	$ 19,948,115	$ 20,023,823	$ 19,594,504
Excess (Deficiency) of Revenues Over Expenditures	$ 1,358,181	$ 365,558	$ (437,656)	$ 319,680	$ 2,669,373
Other Sources & Uses:					
Capitalized Lease Issued	$ -	$ -	$ -	$ -	$ -
Insurance Recovery	-	41,786	164,553	74,147	266,606
Other Loans Issued	-	-	-	-	-
Operating Transfers - In	43,939	225,000	742,500	373,200	-
Operating Transfers - Out	(539,046)	(602,075)	(391,008)	(927,906)	(820,667)
Total Expenditures & Other Uses	$ (495,107)	$ (335,289)	$ 516,045	$ (480,559)	$ (554,061)
Net Change in Fund Balances	$ 863,074	$ 30,269	$ 78,389	$ (160,879)	$ 2,115,312
Fund Balance July 1	5,205,740	6,068,814	6,099,083	6,261,169	6,100,290
Restatement	-	-	83,697	-	-
Fund Balance June 30	**$ 6,068,814**	**$ 6,099,083**	**$ 6,261,169**	**$ 6,100,290**	**$ 8,215,602**

Source: Comprehensive Annual Financial Reports for Jefferson County, Tennessee

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by state statute and local policies and administered by the County Trustee. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. For reporting purposes, all investments are stated at cost which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own

such property on January I for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report of Tennessee, property in the County reflected a ratio of appraised value to true market value of 0.9611. The following table shows pertinent data for tax year 2016[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 72,679,785	55%	$ 166,505,808
Commercial and Industrial	196,640,850	40%	512,617,941
Personal Tangible Property	73,415,185	30%	252,124,833
Residential and Farm	827,733,425	25%	3,444,941,858
Total	**$1,170,469,245**		**$4,376,190,440**

[1] The tax year coincides with the calendar year, therefore tax year 2016 is actually fiscal year 2016-2017.
Source: 2016 Tax Aggregate Report of Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2017 (tax year 2016) is $1,170,469,245 compared to $1,155,966,436 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is $4,376,190,440 compared to $4,156,914,737 for tax year 2015.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2012 through 2016[2] as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Year Collections		Aggregate Uncollected Balance	
Tax Year[2]	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2016 Amount	Pct
2012	1,186,403,235	2.05	24,353,623	23,069,772	94.7%	N/A	
2013	1,185,353,097	2.15	25,488,551	24,122,867	94.6%	N/A	
2014	1,145,216,134	2.35	27,136,339	25,680,617	94.6%	N/A	
2015	1,155,966,436	2.35	27,309,089	25,840,375	94.6%	$1,468,714	5.4%
2016	1,170,469,245	2.35	27,511,553	IN PROCESS			

[1] The tax year coincides with the calendar year, therefore, tax year 2016 is actually fiscal year 2016-2017.

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Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the County are as follows:

	Taxpayer	Business Type	Assessment	Taxes Levied
1.	Appalachian Electric Coop	Utility	$ 38,973,254	$ 915,872
2.	Bush Brothers	Canned Foods	23,809,954	559,533
3.	Nystar Strawberry Plains (IDB)	Zinc Mining	15,758,830	370,333
4.	Old Dominion Freight	Trucking	8,976,472	210,947
5.	Ball Corp.	Metal Food Container	8,160,113	191,763
6.	Norfolk Southern Railroad	Railroad	6,803,519	159,883
7.	Jefferson City 101	Distribution	6,111,040	143,609
8.	Teachers Retirement System (Wal-Mart)	Retail	4,775,280	112,219
9.	Bellsouth	Telecommunications	4,254,896	99,990
10.	Rittenhouse	Paper Products	3,743,182	87,965
	TOTAL		**$121,366,540**	**$2,852,114**

Source: The County.

PENSION PLANS

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

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

For more information see the Note "Other Postemployment Benefits (OPED)" in the General Purpose Financial Statements located herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

JEFFERSON COUNTY, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

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

ANNUAL FINANCIAL REPORT

JEFFERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016

TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

JEFFERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

KRISTINE GALITZA, CPA
VERNA DAVIS
PHILIP TOBY, CGFM
ISABELLA DANIELS
GREG BRUSH, CISA
State Auditors

MARK TREECE, CPA, CGFM
Audit Manager

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

JEFFERSON COUNTY, TENNESSEE
TABLE OF CONTENTS

Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICES OF FINANCE DIRECTOR AND DIRECTOR OF SCHOOLS

- Jefferson County did not contract for audit procedures at the individual schools for the USDA Child Nutrition Cluster prior to the end of the fiscal year.

OFFICE OF ROAD SUPERINTENDENT

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

JEFFERSON COUNTY

- The Solid Waste Disposal Fund had a deficit in unrestricted net position.
- Jefferson County has a material recurring audit finding.

Introductory Section

Jefferson County Officials
June 30, 2016

Officials

Alan Palmieri, County Mayor
Charles Tipton, Road Superintendent
Dr. Charles Edmonds, Director of Schools
Ginger Franklin, Trustee
Susan Gass, Assessor of Property
Frank Herndon, County Clerk
Penny Murphy, Circuit and General Sessions Courts Clerk
Nancy Humbard, Clerk and Master
Ed Stiner, Register of Deeds
Bud McCoig, Sheriff
Langdon Potts, Finance Director

Board of County Commissioners

Jimmy Carmichael, Chairman
Randy Bales
Randy Baxley
Robert Beeler
Robert Blevins
Terry Dockery
Steve Douglas
Ralph Eslinger
David Gaut
Katy Fox Huffaker
Todd Kesterson
John McGraw
Rita Musick
John Neal Scarlett
David Seal
Tim Seals
Barbara Jean Sheets
Sammy Solomon
Donnie Tabor
Robert Tucker
Russell Turner

Board of Education

Bill Jarnigan, Chairman
Randall Bradley
Judy Cavanah
Ralph Lowery
Anne Marie Potts
Jonathan Rogers
Jim Vines

Highway Commission

John Turner, Chairman
Condon Batson
David Cate
Wayne Elmore
Conard Langston
Joe Simpson
Joel Smith

Jefferson County Officials (Cont.)

Financial Management Committee

John McGraw, Chairman
Katy Fox Huffaker
David Seal
Robert Tucker

Alan Palmieri, County Mayor
Dr. Charles Edmonds, Director of Schools
Charles Tipton, Road Superintendent

Audit Committee

Garry Jett, Chairman
Jimmy Carmichael
Joe Mack High

John McGraw
John Neal Scarlett

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

Jefferson County Mayor and
Board of County Commissioners
Jefferson 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 Jefferson County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jefferson County Nursing Home. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Jefferson County Nursing Home, is based solely on the report of the other auditors. We were unable to determine Jefferson County Nursing Home's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the Jefferson

County Emergency Communications District, a component unit requiring discrete presentation, was not included in the county's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-30 and the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans, on pages 136-143 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 and other auditors 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 Jefferson 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 Jefferson 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 Jefferson County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Jefferson County School Department (a

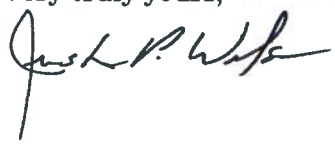
discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2017, on our consideration of Jefferson 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 Jefferson County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 8, 2017

JPW/sb

JEFFERSON COUNTY

P.O. Box 710 Dandridge, Tennessee 37725 Telephone: (865) 397-3800

JEFFERSON COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

As management for Jefferson County, Tennessee, we offer readers of the financial statements of Jefferson County, Tennessee, this narrative overview and analysis of the financial activities of Jefferson County Government for the fiscal year ended June 30, 2016. In addition, this discussion and analysis includes an overview of the Discretely Presented Component Unit Jefferson County School Department. A separate set of financial statements is not issued for the Jefferson County School Department. The intent of this discussion and analysis is to look at Jefferson County's and the discretely presented Jefferson County School Department's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the basic financial statements and notes to the financial statements to enhance their understanding of Jefferson County's financial performance, as well as, the discretely presented Jefferson County School Department's financial performance.

The Jefferson County Nursing Home is also a discretely presented component unit of the county. Although the nursing home's financial statements are included in this report, readers should also review the separately issued financial statements and management's discussion and analysis for this discretely presented component unit.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Jefferson County Primary Government exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately $51.2 million (net position). It should be noted that the financial statements of Jefferson County included debt totaling approximately $64.7 million attributed to the Jefferson County Board of Education. The discretely presented Jefferson County School Department's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by approximately $66.9 million at June 30, 2016.

- The primary government's total net position increased by approximately $7.6 million. The discretely presented Jefferson County School Department's net position increased by approximately $2.6 million. The increase in the primary government's total net position was primarily due to the retirement of debt. The increase of the discretely presented Jefferson County School Department's total net position was attributed to an investment in capital projects and the change in deferred inflows and outflows related to pensions.

- As of the close of the fiscal year, Jefferson County's Governmental funds reported approximately $23.5 million in total combined fund balances; this is an approximate increase of $3.3 million from the previous period. Of this amount, approximately $6.6 million represents funds that are available for spending (assigned and unassigned). The discretely presented Jefferson County School Department's governmental funds reported approximately $8.7 million in total combined fund balances; this is virtually unchanged from the previous period.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately $6.4 million or 32.6 percent of the General Fund's annual budgetary expenditures (excluding other uses). The unassigned fund balance of the discretely presented Jefferson County School Department's General Purpose School Fund was approximately $3.7 million or 7.3 percent of the fund's annual budgetary expenditures (excluding other uses).

- The total debt (bonds and other loans) of Jefferson County, Tennessee, decreased by approximately $4.3 million or 5 percent during the current fiscal year due to the retirement of outstanding obligations.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Jefferson County's and the discretely presented Jefferson County School Department's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements were created to give readers a broad overview, in a manner similar to a private-sector business, of the county's and school's finances. The government-wide financial statements consist of two statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of Jefferson County's and its discretely presented component units' assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the county and its discretely presented component units is improving or deteriorating.

The Statement of Activities presents information showing how Jefferson County's and its discretely presented component units' net position changed during the current fiscal year. All changes in net position are reported on the accrual basis of accounting as soon as the underlying events giving rise to changes occur. Therefore, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods.

These government-wide financial statements of Jefferson County Primary Government and the discretely presented Jefferson County School Department distinguish between major functions that are principally supported by taxes and intra-governmental revenues from functions that are intended to recover all, or a significant portion of, their costs from user fees and/or charges – business type activities. The governmental activities of Jefferson County include: general government; finance; administration of justice; public safety; public health and welfare; social, cultural, and recreational services; agriculture and natural resources; highways; education; and interest on long-term debt. The business-type activity of Jefferson County consists of the operation of the landfill. The discretely presented Jefferson County School Department has no business-type activities.

The government-wide financial statements include not only Jefferson County Government itself (known as the primary government), but also a legally separate school system for which the Jefferson County Government is financially accountable.

The government-wide financial statements can be found in Exhibits A and B.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Jefferson County and the discretely presented Jefferson County School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Jefferson County and the discretely presented Jefferson County School Department can be divided into three broad categories: governmental, proprietary and fiduciary funds.

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

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

Jefferson County maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General, General Debt Service, Other Special Revenue and Highway funds; all of which are considered major funds. Financial data from the remaining governmental funds are combined into a single, aggregated amount with detail provided in the combining and individual fund financial statements and schedules.

The discretely presented Jefferson County School Department maintains seven individual governmental funds. The General Purpose School Fund is considered a major fund.

Jefferson County adopts an annual budget for its General Fund, all special revenue funds (except the Constitutional Officers – Fees Fund), the General Debt Service Fund, and the General Capital Projects Fund. The discretely presented Jefferson County School Department, with the approval of the county, adopts an annual budget for its General Purpose School Fund and all special revenue funds. Budgetary comparisons have been provided for these funds to demonstrate budgetary compliance.

Governmental fund financial statements can be found in the table of contents.

Proprietary Funds. Jefferson County maintains two types of proprietary funds, an internal service fund, and an enterprise fund. Enterprise funds are used to report functions presented as business-type activities in the government-wide financial statements. The county has an enterprise fund to account for the county's landfill operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among Jefferson County's various functions. Jefferson County uses an internal service fund to account for the county's self-insured employee dental and vision insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found in Exhibits D-1 through D-3.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Jefferson County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds (economic resources measurement) except agency funds, which have no measurement focus. The basic fiduciary fund financial statements can be found in Exhibit E-1.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located in the table of contents.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning Jefferson County's and the discretely presented Jefferson County School Department's obligation to provide pension and OPEB benefits to its employees. A table of contents has been provided to locate this information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. Jefferson County's assets and deferred outflows exceeded its resources liabilities and deferred inflows of resources at June 30, 2016, by $51,193,124. The Constitution for the State of Tennessee allows only the local legislative body to issue debt. Therefore, whenever the Jefferson County Board of Education requires the issuance of debt to fund major capital projects or equipment purchases, the related debt must be issued by the Jefferson County Government. At the end of the current fiscal year, Jefferson County had outstanding debt related to the Jefferson County Board of Education of $64,662,800. The related assets for this debt are reported on the Statement of Net Position under component units in the column "Jefferson County School Department." The discretely presented Jefferson County School Department's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016, by $66,863,954.

Jefferson County's and the Discretely Presented Jefferson County School Department's Net Position

	Jefferson County Primary Government Governmental Activities	
	2015	2016
Current and Other Assets	$ 47,746,385	$ 51,727,328
Capital Assets	101,587,390	100,365,939
Total Assets	$ 149,333,775	$ 152,093,267
Total Deferred Outflows of Resources	$ 1,860,288	$ 1,890,518
Long-term Liabilities Outstanding	$ 81,912,742	$ 77,549,713
Other Liabilities	5,526,948	5,831,643
Total Liabilities	$ 87,439,690	$ 83,381,356
Total Deferred Inflows of Resources	$ 17,896,863	$ 17,584,367
Net Position:		
Net Investment in Capital Assets	$ 91,799,767	$ 91,334,639
Restricted	4,973,157	5,133,708
Unrestricted	(50,915,414)	(43,450,285)
Total Net Position	$ 45,857,510	$ 53,018,062

	Jefferson County School Department Governmental Activities	
	2015	2016
Current and Other Assets	$ 23,730,212	$ 22,498,207
Capital Assets	70,985,731	71,426,933
Total Assets	$ 94,715,943	$ 93,925,140
Other Deferred Outflows	$ 3,570,379	$ 3,642,628
Long-term Liabilities Outstanding	$ 10,288,316	$ 11,850,546
Other Liabilities	3,421,837	2,625,092
Total Liabilities	$ 13,710,153	$ 14,475,638
Total Deferred Inflows of Resources	$ 20,330,884	$ 16,228,176
Net Position:		
Net Investment in Capital Assets	$ 70,985,731	$ 71,426,933
Restricted	4,557,934	2,863,775
Unrestricted	(11,298,380)	(7,426,754)
Total Net Position	$ 64,245,285	$ 66,863,954

Jefferson County's and the Discretely Presented Jefferson County School Department's Net Position (Cont.)

	Jefferson County Primary Government Business Type Activities	
	2015	2016
Current and Other Assets	$ 658,927	$ 930,981
Capital Assets	1,791,177	1,938,398
Total Assets	$ 2,450,104	$ 2,869,379
Total Deferred Outflows of Resources	$ 66,178	$ 72,359
Long-term Liabilities Outstanding	$ 4,576,833	$ 4,590,981
Other Liabilities	151,648	141,824
Total Liabilities	$ 4,728,481	$ 4,732,805
Total Deferred Inflows of Resources	$ 79,110	$ 33,871
Net Position:		
Net Investment in Capital Assets	$ 1,703,050	$ 1,938,398
Restricted	32,297	32,559
Unrestricted	(4,026,656)	(3,795,895)
Total Net Position	$ (2,291,309)	$ (1,824,938)

By far, the largest portion of Jefferson County's Governmental Activities and the discretely presented Jefferson County School Department's net position is $91,334,639 and $71,426,933, respectively, reflecting their investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. Jefferson County Governmental Activities and the discretely presented Jefferson County School Department use these capital assets to provide services to its citizenry; therefore, these assets are not available to meet any obligations. Although Jefferson County's Governmental Activities investment in capital assets is reported net of related debt, resources needed to repay this debt must come from outside resources because the capital assets themselves cannot be liquidated to pay these liabilities.

An additional portion of Jefferson County's Governmental Activities and the discretely presented Jefferson County School Department's net position is $5,133,708 and $2,863,755 respectively, which are subject to external restrictions on how they may be used.

Jefferson County's Governmental Activities unrestricted net position is a negative $43,450,285. This negative balance represents all unrestricted non-capital related assets net of Jefferson County's Government Activities debt of $16,050,000.

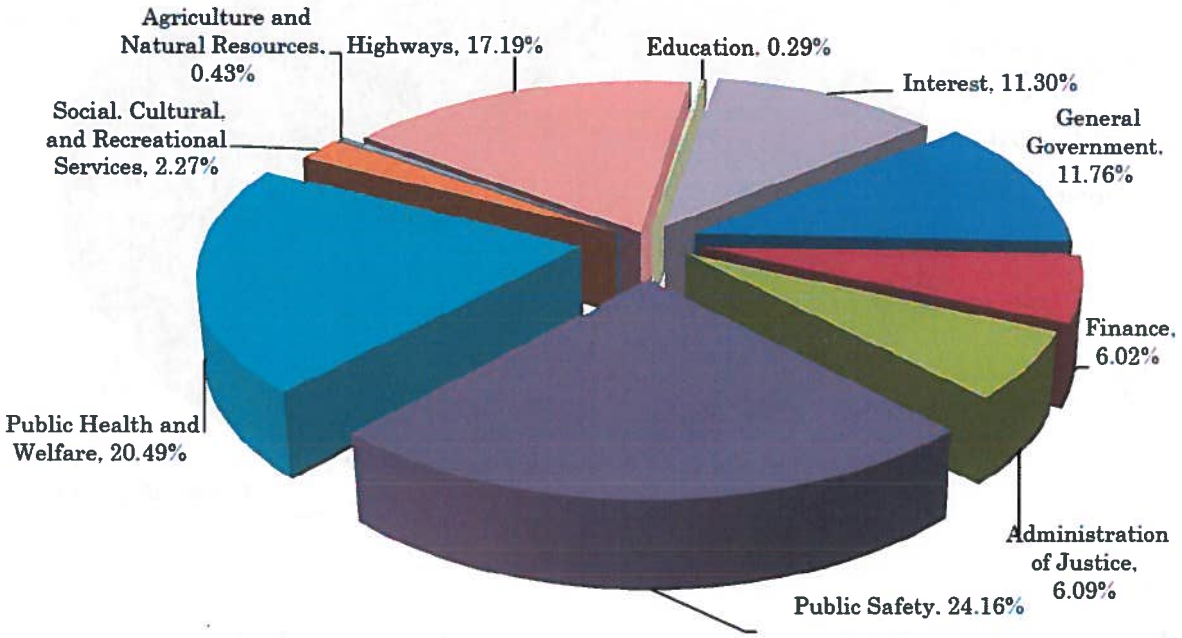
Jefferson County's and the Discretely Presented Jefferson County School Department's Net Position

	Jefferson County Primary Government Governmental Activities	
	2015	2016
Revenues:		
Program Revenues:		
Charges for Services	$ 9,628,273	$ 10,583,273
Operating Grants and Contributions	2,385,075	2,345,426
Capital Grants and Contributions	1,355,090	935,746
General Revenues:		
Property Taxes	17,049,137	17,306,580
Sales Taxes	1,221,857	2,283,269
Other Taxes	2,458,200	3,740,550
Grants and Contributions Not Restricted to Specific Programs	995,294	1,001,480
Unrestricted Investment Income	207,474	211,666
Miscellaneous	227,476	82,935
Gain on Disposal of Capital Assets	9,226	48,576
Total Revenues	$ 35,537,102	$ 38,539,501
Expenses:		
General Government	$ 2,851,264	$ 3,685,222
Finance	2,848,669	1,885,363
Administration of Justice	1,938,359	1,909,744
Public Safety	7,023,356	7,570,667
Public Health and Welfare	6,499,078	6,420,535
Social, Cultural, and Recreational Services	705,886	710,132
Agriculture and Natural Resources	135,556	136,157
Highways	5,495,146	5,386,295
Education	8,315,808	90,000
Support Services	450	0
Interest on Long-term Debt	3,271,454	3,540,731
Total Expenses	$ 39,085,026	$ 31,334,846
Transfers	(54,501)	(44,103)
Increase (Decrease) in Net Position	$ (3,602,425)	$ 7,160,552
Net Position, July 1	50,004,731	45,857,510
Restatement - Pension Liability	(544,796)	0
Net Position, June 30	$ 45,857,510	$ 53,018,062

Jefferson County's and the Discretely Presented Jefferson County School Department's Changes in Net Position (Cont.)

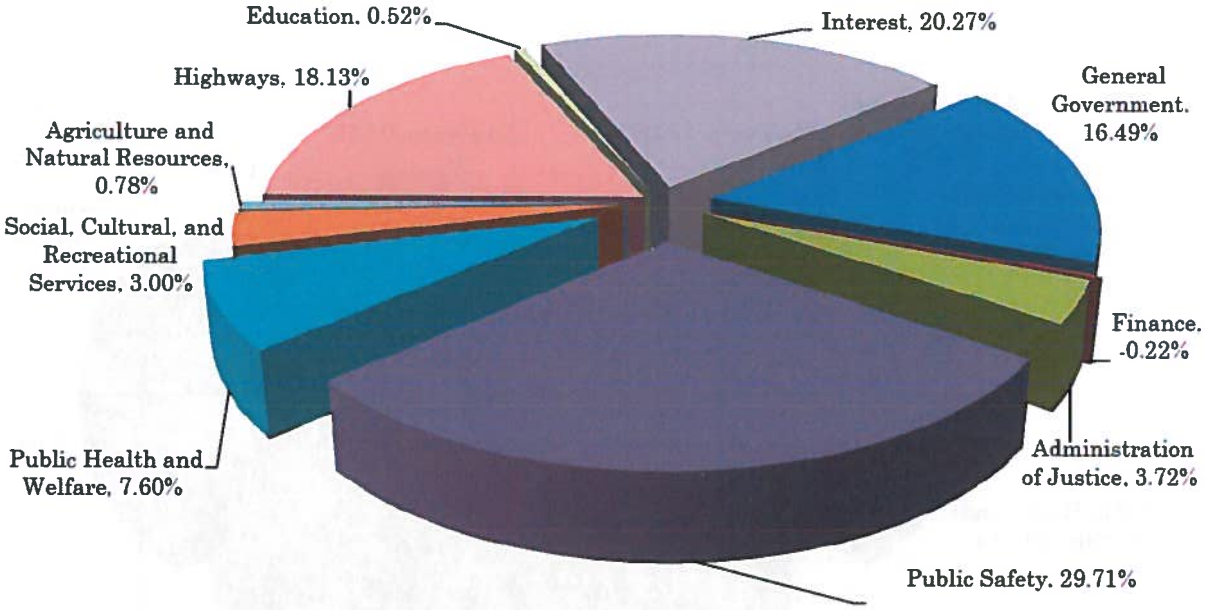
Governmental Activities Program Expenses

Public Safety expenses of $7,570,667, Public Health of $6,420,535, and Highways expenses of $5,386,295 are the largest expenses of Jefferson County, which when combined total $19,377,497 and are 62 percent of total expenses. For additional details, see illustrations below. Note that amounts are rounded to two decimal places in the following chart.



Net Expenses by Governmental Activities

The following illustration shows the "net (expenses)" from Exhibit B as a percentage of the total. Unlike the preceding illustration, this one not only shows the percentage of total costs, it shows the impact the program had on the local citizens' tax base, as a percentage. Net expense is all program expenses less all program revenues. Note all amounts are recorded to two decimal places in the following chart.

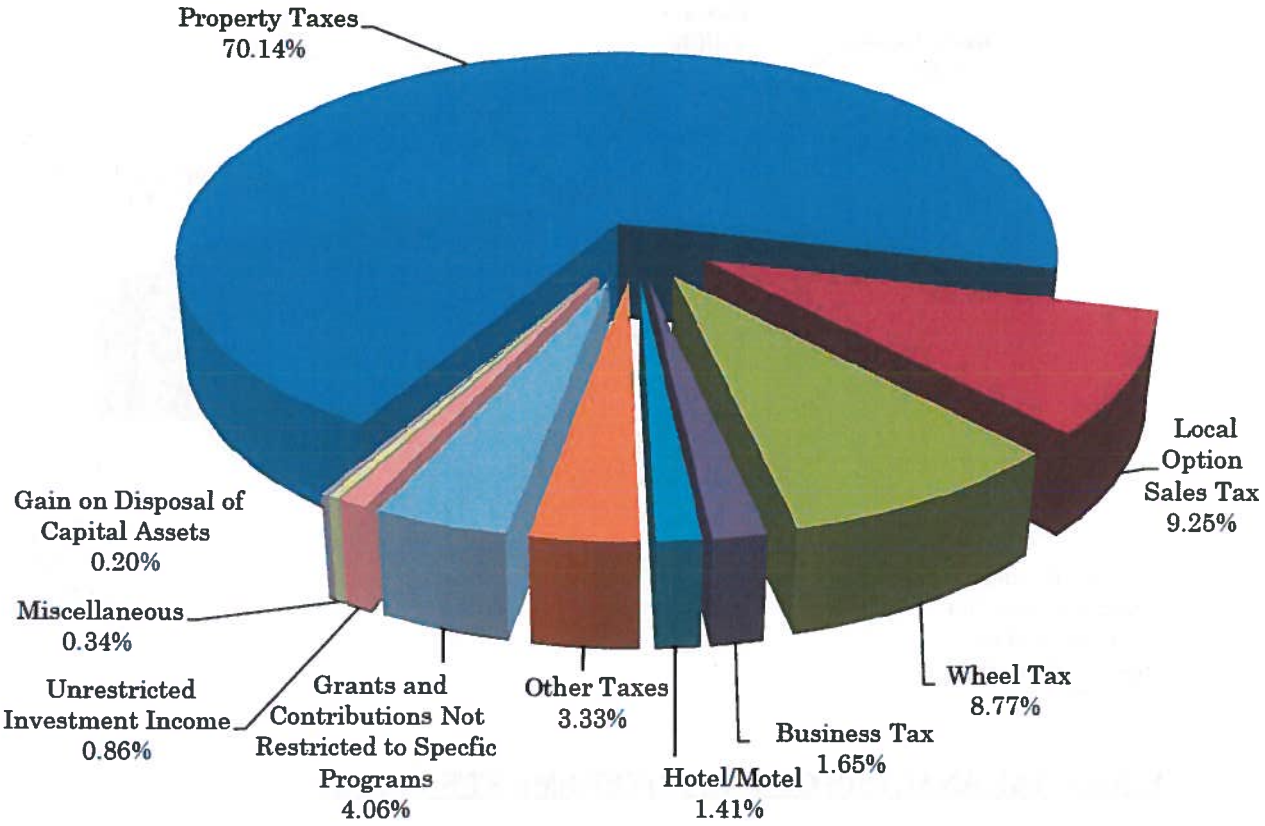


Revenues on the government-wide Statement of Activities are broken into two major categories, program and general revenues.

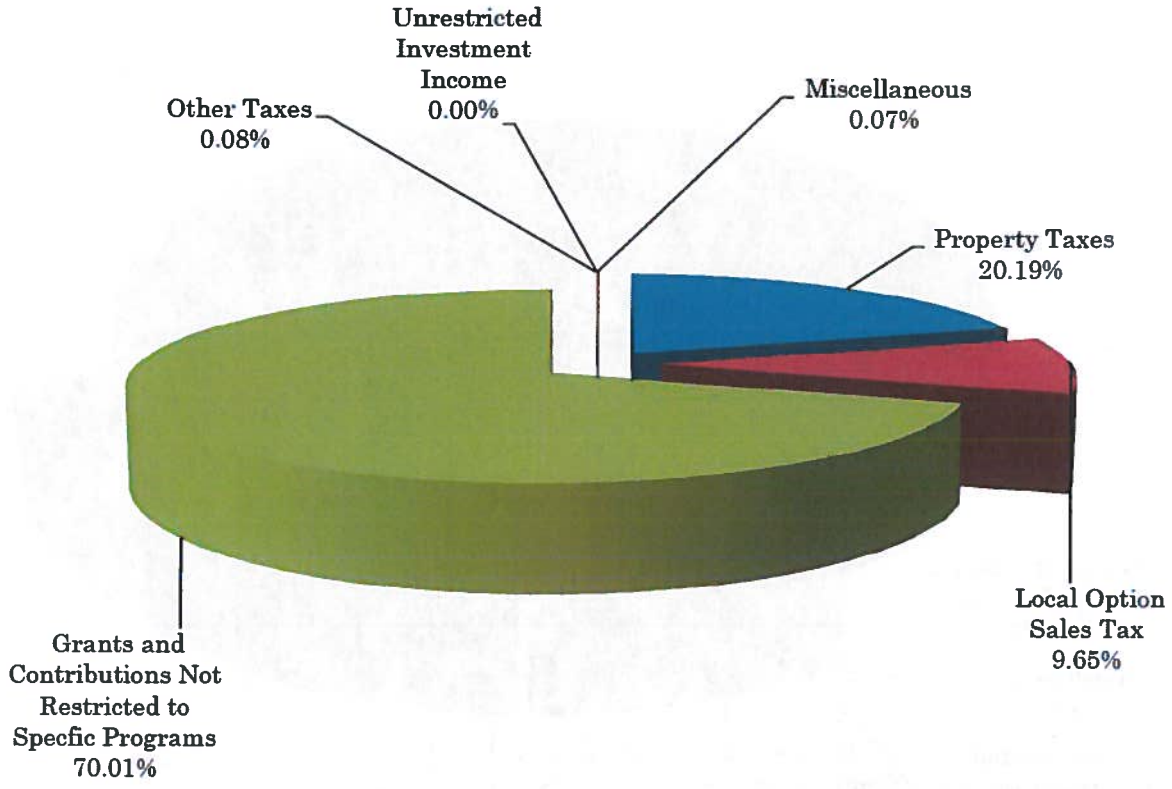
Program revenues are three types: charges for services (arise from charges to customers), operating grants and contributions (restricted for a specific purpose), and capital grants and contributions (restricted for a specific purpose).

General revenues are all revenues that do not qualify as program revenues and by far are the largest revenue source. The largest single revenue sources within this major category are property taxes for the county and grants and contributions not restricted to specific programs for the discretely presented Jefferson County School Department. Note all amounts are rounded to two decimal places in the following charts.

Primary Government
Revenues by Source – Governmental Activities



Jefferson County School Department
Revenues by Source – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Jefferson County and the discretely presented Jefferson County School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Jefferson County's and the discretely presented Jefferson County School Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Jefferson County's and the discretely presented Jefferson County School Department's financing requirements.

In 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, restricted, committed, assigned, or unassigned.

- Nonspendable Fund Balance – The nonspendable fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $117,637 and $0 respectively, 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 – The restricted fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $4,094,042 and $2,367,747, respectively, includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balance – The committed fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $12,726,776 and $1,889,339, respectively, 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.

- Assigned Fund Balance – The assigned fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $216,885 and $692,710, respectively, includes amounts that are constrained by the intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission or the finance director is authorized to make assignments.

- Unassigned Fund Balance – The unassigned fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $6,380,892 and $3,738,420, respectively, 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. This is the residual classification for the General and General Purpose School funds.

As of the end of the current fiscal year, Jefferson County's governmental funds reported fund balances totaling $23,536,232 an increase of $3,288,058. The discretely presented Jefferson County School Department's governmental funds reported fund balances totaling $8,688,216, an increase of $38,742.

The General Fund is the chief operating fund of Jefferson County. At the end of the current fiscal year, unassigned fund balance was $6,380,892, while total fund balance reached $8,215,602. Total fund balance for the General Fund increased $2,115,312. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 32.6 percent of total General Fund expenditures, while total fund balance represents 41.9 percent of that same amount.

The Highway Fund balance totaled $2,107,082 at June 30, 2016, an increase of $51,271 for the year.

The General Debt Service Fund had a total fund balance of $7,120,532 at June 30, 2016, an increase of $371,407 for the year.

The General Purpose School Fund is the chief operating fund of the discretely presented Jefferson County School Department. At the end of the current fiscal year, unassigned fund balance was $3,738,420, while total fund balance increased to $4,880,992. Total fund balance for the General Purpose School Fund increased $672,863. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 7.3 percent of total General Purpose School Fund expenditures, while total fund balance represents 9.5 percent of that same amount.

BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

During the fiscal year, appropriations from the original budget were increased. These differences are summarized in the following table:

	Original	Amended	Increase (Decrease)
Appropriations:			
General Government	$ 2,694,393	$ 2,811,032	$ 116,639
Finance	2,230,730	2,133,563	(97,167)
Administration of Justice	1,572,561	1,611,589	39,028
Public Safety	7,287,718	7,658,495	370,777
Public Health and Welfare	4,585,502	4,937,175	351,673
Social, Cultural, and Recreational Services	656,982	697,733	40,751
Agriculture and Natural Resources	148,171	148,706	535
Other Operations	980,514	1,116,765	136,251
Total Appropriations	$ 20,156,571	$ 21,115,058	$ 958,487

The increase is primarily attributed to a raise for county employees plus vehicle repair of EMS and Sheriff Department's damaged vehicles.

At the close of the fiscal year, actual expenditures were $1,524,112 less than budgetary estimates. This is attributed to the conservative management of elected officials and department heads.

Discretely Presented Jefferson County School Department – General Purpose Fund Budgetary Highlights

The differences in the original and the final budget's appropriations increased by $756,329 compared to the original budget of $51,805,765. At the close of the fiscal year, actual expenditures were $1,148,005 less than budgetary estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Jefferson County's investment in capital assets for its governmental activities, net of accumulated depreciation, as of June 30, 2016, totaled $100,365,939. This investment in capital assets includes land, buildings and improvements, other capital assets (includes vehicles and equipment), and infrastructure (includes roads, highways, and bridges).

Asset	Historical Value	Accumulated Depreciation	Net Value 6-30-16
Land	$ 1,647,216	$ 0	$ 1,647,216
Construction in Progress	343,879	0	343,879
Buildings and Improvements	22,468,789	(5,935,330)	16,533,459
Other Capital Assets	10,231,614	(7,367,083)	2,864,531
Infrastructure	117,027,927	(38,051,073)	78,976,854
Total	$ 151,719,425	$ (51,353,486)	$ 100,365,939

The discretely presented Jefferson County School Department's investment in capital assets, net of accumulated depreciation, as of June 30, 2016, totaled $71,426,933. This investment in capital assets includes land, buildings and improvements, and other capital assets (includes vehicles and equipment).

Asset	Historical Value	Accumulated Depreciation	Net Value 6-30-16
Land	$ 1,492,550	$ 0	$ 1,492,550
Construction in Progress	29,057,359	0	29,057,359
Builidngs and Improvements	64,225,913	(26,856,241)	37,369,672
Other Capital Assets	9,016,804	(5,509,452)	3,507,352
Total	$ 103,792,626	$ (32,365,693)	$ 71,426,933

Additional details about Jefferson County's and the discretely presented Jefferson County School Department's capital assets can be found in the notes to the financial statements Note IV.B. A table of contents has been provided with the specific page number.

Long-term Debt

At the end of the current fiscal year, Jefferson County had long-term debt obligations outstanding of $80,712,800. Jefferson County reduced its outstanding debt by $4,332,827 during the year. All of this debt is backed by the full faith and credit of the county. Jefferson County maintains a rating of "Aa3" from Moody's and "A+" from Standard and Poor's for general obligation debt. The county did not have any capital outlay notes outstanding at June 30, 2016. Additional information on Jefferson County Government's long-term debt can be found in Exhibit K-1, Exhibit K-2, and Note IV.F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

On July 22, 2016, Jefferson County adopted a budget for the fiscal year ending June 30, 2017.

The distribution of the 2017 property tax rate is shown below:

Fund	Tax Rate
General	$ 0.80
Solid Waste/Sanitation	0.15
Highway	0.20
General Capital Projects	0.11
General Purpose School	0.87
General Debt Service	0.22
Total	$ 2.35

The unemployment rate for the county as of June 30, 2016, was 5.5 percent, which is greatly improved compared to 9.6 percent three years ago. This can be attributed to the economic activity that Jefferson County is beginning to see in the form of expansions by current manufacturing companies and several retail developments. The state's average unemployment rate as of June 30, 2016, was 4.1 percent and the national average was 4.9 percent.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Jefferson County Government, PO Box 1749, Dandridge, Tennessee 37725.

Basic Financial Statements

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home
ASSETS					
Cash and Cash Equivalents	$ 233,980	$ 25	$ 234,005	$ 31,818	$ 1,382,511
Equity in Pooled Cash and Investments	22,618,959	739,391	23,358,350	9,440,701	0
Inventories	0	0	0	0	31,564
Accounts Receivable	3,765,534	85,654	3,851,188	386,717	1,215,121
Allowance for Uncollectibles	(1,589,452)	(2,500)	(1,591,952)	0	(13,393)
Due from Other Governments	1,388,912	0	1,388,912	1,947,256	0
Due from Primary Government	0	0	0	85,529	0
Due from Component Units	6,950,252	0	6,950,252	0	0
Internal Balances	(75,852)	75,852	0	0	0
Property Taxes Receivable	17,957,306	0	17,957,306	10,575,226	0
Allowance for Uncollectible Property Taxes	(776,834)	0	(776,834)	(465,068)	0
Prepaid Expenses	117,637	0	117,637	0	18,359
Unamortized Discount on Debt	312,621	0	312,621	0	0
Restricted Assets:					
Other Restricted Assets	0	0	0	0	14,777
Net Pension Asset - Agent Plan	824,265	32,559	856,824	475,830	279,930
Net Pension Asset - Teacher Retirement Plan	0	0	0	20,198	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,647,216	510,430	2,157,646	1,492,550	7,181
Construction in Progress	343,879	212,938	556,817	29,057,359	0
Assets Net of Accumulated Depreciation:					
Landfill Facilities and Development	0	72,861	72,861	0	0
Buildings and Improvements	16,533,459	77,831	16,611,290	37,369,672	6,691,570
Machinery and Equipment	0	1,064,338	1,064,338	897,301	693,720
Other Capital Assets	2,864,531	0	2,864,531	2,610,051	4,700
Infrastructure	78,976,854	0	78,976,854	0	0
Total Assets	$ 152,093,267	$ 2,869,379	$ 154,962,646	$ 93,925,140	$ 10,326,040
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	$ 168,816	$ 0	$ 168,816	$ 0	$ 0
Pension Changes in Experience	39,540	1,563	41,103	238,627	15,328
Pension Other Deferrals	0	0	0	165,806	0
Pension Contributions After Measurement Date	1,682,162	70,796	1,752,958	3,238,195	560,551
Total Deferred Outflows of Resources	$ 1,890,518	$ 72,359	$ 1,962,877	$ 3,642,628	$ 575,879
LIABILITIES					
Accounts Payable	$ 344,049	$ 7,371	$ 351,420	$ 339,397	$ 333,336
Accrued Payroll	42,016	8,448	50,464	194	185,604
Accrued Interest Payable	203,866	0	203,866	0	14,361

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home
LIABILITIES (CONT.)					
Payroll Deductions Payable	$ 178,757	$ 0	$ 178,757	$ 1,989,137	$ 30,509
Contracts Payable	0	0	0	31,738	0
Retainage Payable	0	0	0	495	0
Accrued Leave - Current	0	0	0	0	303,715
Claims and Judgments Payable	59,732	0	59,732	0	0
Due to Primary Government	0	0	0	40,252	6,910,000
Due to Component Units	85,529	0	85,529	0	0
Due to the State of Tennessee	26,126	8,658	34,784	0	0
Estimated Third-party Payor Settlements	0	0	0	0	29,066
Other Current Liabilities	52,769	0	52,769	0	75,922
Noncurrent Liabilities:					
Due Within One Year	4,838,799	117,347	4,956,146	223,879	0
Due in More Than One Year	77,549,713	4,590,981	82,140,694	11,850,546	0
Total Liabilities	$ 83,381,356	$ 4,732,805	$ 88,114,161	$ 14,475,638	$ 7,882,513
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 16,682,751	$ 0	$ 16,682,751	$ 9,806,753	$ 0
Deferred Credit on Refunding	44,161	0	44,161	0	0
Pension Changes in Experience	494,392	19,529	513,921	4,477,388	0
Pension Changes in Investment Earnings	363,063	14,342	377,405	1,944,035	186,545
Total Deferred Inflows of Resources	$ 17,584,367	$ 33,871	$ 17,618,238	$ 16,228,176	$ 186,545
NET POSITION					
Net Investment in Capital Assets	$ 91,334,639	$ 1,938,398	$ 93,273,037	$ 71,426,933	$ 482,471
Restricted for:					
General Government	116,791	0	116,791	0	0
Finance	174,872	0	174,872	0	0
Administration of Justice	399,132	0	399,132	0	0
Public Safety	220,071	0	220,071	0	0
Public Health and Welfare	567,840	0	567,840	0	0
Social, Cultural, and Recreational Services	56,790	0	56,790	0	0
Highway/Public Works	2,221,565	0	2,221,565	0	0
Debt Service	62,957	0	62,957	0	0
Education	0	0	0	1,979,135	0
Capital Projects	489,425	0	489,425	884,640	0
Other Purposes	824,265	32,559	856,824	0	684,041
Unrestricted	(43,450,285)	(3,795,895)	(47,246,180)	(7,426,754)	1,666,349
Total Net Position	$ 53,018,062	$ (1,824,938)	$ 51,193,124	$ 66,863,954	$ 2,832,861

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Jefferson County School Department	Component Units: Jefferson County Nursing Home
Primary Government:									
Governmental Activities:									
General Government	$ 3,685,222	$ 628,501	$ 55,950	$ 120,000	$ (2,880,771)	$ 0	$ (2,880,771)	$ 0	$ 0
Finance	1,885,363	1,920,883	0	0	35,520	0	35,520	0	0
Administration of Justice	1,909,744	1,245,678	13,815	0	(650,251)	0	(650,251)	0	0
Public Safety	7,570,667	2,216,521	156,865	7,200	(5,190,081)	0	(5,190,081)	0	0
Public Health and Welfare	6,420,535	4,522,078	132,451	438,548	(1,327,458)	0	(1,327,458)	0	0
Social, Cultural, and Recreational Services	710,132	14,357	168,437	3,812	(523,526)	0	(523,526)	0	0
Agriculture and Natural Resources	136,157	0	0	0	(136,157)	0	(136,157)	0	0
Highways	5,386,295	35,255	1,817,908	366,186	(3,166,946)	0	(3,166,946)	0	0
Education	90,000	0	0	0	(90,000)	0	(90,000)	0	0
Interest on Long-term Debt	3,540,731	0	0	0	(3,540,731)	0	(3,540,731)	0	0
Total Governmental Activities	$ 31,334,846	$ 10,583,273	$ 2,345,426	$ 935,746	$ (17,470,401)	$ 0	$ (17,470,401)	$ 0	$ 0
Business-type Activities:									
Solid Waste Disposal	$ 1,352,655	$ 1,774,923	$ 0	$ 0	$ 0	$ 422,268	$ 422,268	$ 0	$ 0
Total Business-type Activities	$ 1,352,655	$ 1,774,923	$ 0	$ 0	$ 0	$ 422,268	$ 422,268	$ 0	$ 0
Total Primary Government	$ 32,687,501	$ 12,358,196	$ 2,345,426	$ 935,746	$ (17,470,401)	$ 422,268	$ (17,048,133)	$ 0	$ 0
Component Units:									
Jefferson County School Department	$ 58,019,847	$ 1,227,388	$ 7,084,412	$ 92,925	$ 0	$ 0	$ 0	$ (49,615,122)	$ 0
Jefferson County Nursing Home	12,208,746	12,561,933	0	0	0	0	0	0	353,187
Total Component Units	$ 70,228,593	$ 13,789,321	$ 7,084,412	$ 92,925	$ 0	$ 0	$ 0	$ (49,615,122)	$ 353,187

(Continued)

Exhibit B

Jefferson County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Jefferson County School Department	Component Units: Jefferson County Nursing Home
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					$ 14,709,126	$ 0	$ 14,709,126	$ 10,547,492	$ 0
Property Taxes Levied for Debt Service					2,597,454	0	2,597,454	0	0
Local Option Sales Taxes					2,283,269	0	2,283,269	5,040,213	0
Hotel/Motel Tax					349,051	0	349,051	0	0
Wheel Tax					2,163,369	0	2,163,369	0	0
Litigation Tax - General					123,191	0	123,191	0	0
Litigation Tax - Special Purpose					15,663	0	15,663	0	0
Litigation Tax - Jail, Workhouse, or Courthouse					210,299	0	210,299	0	0
Business Tax					407,313	0	407,313	0	0
Mixed Drink Tax					0	0	0	33,706	0
Adequate Facilities Tax					313,295	0	313,295	0	0
Wholesale Beer Tax					158,369	0	158,369	0	0
Interstate Telecommunications Tax					0	0	0	7,345	0
Grants and Contributions Not Restricted to Specific Programs					1,001,480	0	1,001,480	36,567,548	0
Unrestricted Investment Income					211,666	0	211,666	2,053	710
Miscellaneous					0	0	0	35,434	0
Insurance Recovery					82,935	0	82,935	0	0
Gain on Sale of Capital Assets					48,576	0	48,576	0	0
Total General Revenues					$ 24,675,056	$ 0	$ 24,675,056	$ 52,233,791	$ 710
Transfers					$ (44,103)	$ 44,103	$ 0	$ 0	$ 0
Change in Net Position					$ 7,160,552	$ 466,371	$ 7,626,923	$ 2,618,669	$ 353,897
Net Position, July 1, 2015					45,857,510	(2,291,309)	43,566,201	64,245,285	2,478,964
Net Position, June 30, 2016					$ 53,018,062	$ (1,824,938)	$ 51,193,124	$ 66,863,954	$ 2,832,861

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS						
Cash	$ 65,621	$ 0	$ 0	$ 0	$ 168,359	$ 233,980
Equity in Pooled Cash and Investments	7,664,848	4,631,093	2,002,048	6,838,664	1,400,663	22,537,316
Accounts Receivable	3,698,794	62,500	110	3,513	617	3,765,534
Allowance for Uncollectibles	(1,589,452)	0	0	0	0	(1,589,452)
Due from Other Governments	793,120	0	321,562	235,480	38,750	1,388,912
Due from Other Funds	1,767	0	0	0	0	1,767
Due from Component Units	0	0	0	37,500	0	37,500
Property Taxes Receivable	9,755,615	0	2,428,301	2,671,131	3,102,259	17,957,306
Allowance for Uncollectible Property Taxes	(441,325)	0	(105,694)	(116,263)	(113,552)	(776,834)
Prepaid Items	0	0	0	117,637	0	117,637
Total Assets	$ 19,948,988	$ 4,693,593	$ 4,646,327	$ 9,787,662	$ 4,597,096	$ 43,673,666
LIABILITIES						
Accounts Payable	$ 254,220	$ 0	$ 36,406	$ 651	$ 46,389	$ 337,666
Accrued Payroll	2,280	0	31,995	0	7,741	42,016
Payroll Deductions Payable	178,757	0	0	0	0	178,757
Claims and Judgments Payable	59,732	0	0	0	0	59,732
Due to Other Funds	0	0	0	0	77,619	77,619
Due to Component Units	0	0	0	0	85,529	85,529
Due to State of Tennessee	25,133	0	0	0	993	26,126
Other Current Liabilities	52,769	0	0	0	0	52,769
Total Liabilities	$ 572,891	$ 0	$ 68,401	$ 651	$ 218,271	$ 860,214

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 9,017,703	$ 0	$ 2,254,426	$ 2,479,869	$ 2,930,753	$ 16,682,751
Deferred Delinquent Property Taxes	248,966	0	57,234	62,957	48,649	417,806
Other Deferred/Unavailable Revenue	1,893,826	0	159,184	123,653	0	2,176,663
Total Deferred Inflows of Resources	$ 11,160,495	$ 0	$ 2,470,844	$ 2,666,479	$ 2,979,402	$ 19,277,220
FUND BALANCES						
Nonspendable:						
Prepaid Items	$ 0	$ 0	$ 0	$ 117,637	$ 0	$ 117,637
Restricted:						
Restricted for General Government	40,654	0	0	0	76,137	116,791
Restricted for Finance	7,663	0	0	0	167,209	174,872
Restricted for Administration of Justice	390,733	0	0	0	8,399	399,132
Restricted for Public Safety	101,176	0	0	0	118,895	220,071
Restricted for Public Health and Welfare	19,548	0	0	0	516,054	535,602
Restricted for Social, Cultural, and Recreational Services	56,790	0	0	0	0	56,790
Restricted for Highways/Public Works	0	0	2,107,082	0	0	2,107,082
Restricted for Capital Projects	0	0	0	0	483,702	483,702
Committed:						
Committed for Public Health and Welfare	0	0	0	0	29,027	29,027
Committed for Other Operations	0	4,693,593	0	0	0	4,693,593
Committed for Debt Service	0	0	0	7,002,895	0	7,002,895
Committed for Capital Projects	1,000,000	0	0	0	0	1,000,000
Committed for Other Purposes	1,261	0	0	0	0	1,261
Assigned:						
Assigned for Public Safety	39,235	0	0	0	0	39,235

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES (CONT.)						
Assigned (Cont.):						
Assigned for Public Health and Welfare	$ 142,650	$ 0	$ 0	$ 0	$ 0	$ 142,650
Assigned for Support Services	35,000	0	0	0	0	35,000
Unassigned	6,380,892	0	0	0	0	6,380,892
Total Fund Balances	$ 8,215,602	$ 4,693,593	$ 2,107,082	$ 7,120,532	$ 1,399,423	$ 23,536,232
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 19,948,988	$ 4,693,593	$ 4,646,327	$ 9,787,662	$ 4,597,096	$ 43,673,666

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

Exhibit C-2

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

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:		
Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 23,536,232
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,647,216	
Add: construction in progress	343,879	
Add: buildings and improvements net of accumulated depreciation	16,533,459	
Add: other capital assets net of accumulated depreciation	2,864,531	
Add: infrastructure net of accumulated depreciation	78,976,854	100,365,939
(2) An internal service fund is used by management to charge the cost of employee dental and vision programs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		78,012
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	$ (21,352,800)	
Less: bonds payable	(59,360,000)	
Add: bonds to be paid by Nursing Home for the primary government	6,910,000	
Less: deferred credit on refunding	(44,161)	
Add: deferred charge on refunding	168,816	
Less: unamortized premium on debt	(426,653)	
Add: unamortized discount on debt	312,621	
Less: accrued interest on bonds and other loans	(203,866)	
Less: compensated absences payable	(480,005)	
Less: other postemployment benefits liability	(769,054)	(75,245,102)
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	$ 1,721,702	
Less: deferred inflows of resources related to pensions	(857,455)	864,247
(5) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		824,265
(6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		2,594,469
Net position of governmental activities (Exhibit A)		$ 53,018,062

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

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 12,387,774	$ 0	$ 2,375,494	$ 6,392,389	$ 2,110,112	$ 23,265,769
Licenses and Permits	404,041	0	0	0	0	404,041
Fines, Forfeitures, and Penalties	378,138	0	0	0	36,975	415,113
Charges for Current Services	3,630,559	0	35,145	0	780,987	4,446,691
Other Local Revenues	626,143	752,000	120	685,874	2,915	2,067,052
Fees Received From County Officials	1,845,487	0	0	0	0	1,845,487
State of Tennessee	2,187,219	0	1,927,918	0	0	4,115,137
Federal Government	649,486	0	65,114	444,564	41,139	1,200,303
Other Governments and Citizens Groups	155,030	0	0	0	0	155,030
Total Revenues	$ 22,263,877	$ 752,000	$ 4,403,791	$ 7,522,827	$ 2,972,128	$ 37,914,623
Expenditures						
Current:						
General Government	$ 2,404,489	$ 0	$ 0	$ 0	$ 731,335	$ 3,135,824
Finance	1,996,440	6,895	0	0	767	2,004,102
Administration of Justice	1,527,168	0	0	0	0	1,527,168
Public Safety	7,263,304	0	0	0	122,907	7,386,211
Public Health and Welfare	4,504,209	0	0	0	1,703,208	6,207,417
Social, Cultural, and Recreational Services	669,826	0	0	0	0	669,826
Agriculture and Natural Resources	130,649	0	0	0	0	130,649
Other Operations	1,098,419	0	0	0	0	1,098,419
Highways	0	0	4,416,644	0	0	4,416,644
Debt Service:						
Principal on Debt	0	0	0	4,332,827	0	4,332,827
Interest on Debt	0	0	0	3,261,837	0	3,261,837
Other Debt Service	0	0	0	197,596	0	197,596

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)						
Capital Projects	$ 0	$ 0	$ 0	$ 0	$ 575,470	$ 575,470
Total Expenditures	$ 19,594,504	$ 6,895	$ 4,416,644	$ 7,792,260	$ 3,133,687	$ 34,943,990
Excess (Deficiency) of Revenues Over Expenditures	$ 2,669,373	$ 745,105	$ (12,853)	$ (269,433)	$ (161,559)	$ 2,970,633
Other Financing Sources (Uses)						
Refunding Debt Issued	$ 0	$ 0	$ 0	$ 4,215,000	$ 0	$ 4,215,000
Premiums on Debt Sold	0	0	0	33,378	0	33,378
Insurance Recovery	266,606	0	1,544	0	0	268,150
Transfers In	0	0	62,580	547,462	518,855	1,128,897
Transfers Out	(820,667)	0	0	0	(352,333)	(1,173,000)
Payments to Refunded Debt Escrow Agent	0	0	0	(4,155,000)	0	(4,155,000)
Total Other Financing Sources (Uses)	$ (554,061)	$ 0	$ 64,124	$ 640,840	$ 166,522	$ 317,425
Net Change in Fund Balances	$ 2,115,312	$ 745,105	$ 51,271	$ 371,407	$ 4,963	$ 3,288,058
Fund Balance, July 1, 2015	6,100,290	3,948,488	2,055,811	6,749,125	1,394,460	20,248,174
Fund Balance, June 30, 2016	$ 8,215,602	$ 4,693,593	$ 2,107,082	$ 7,120,532	$ 1,399,423	$ 23,536,232

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

Exhibit C-4

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

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:		
Net change in fund balances - total governmental funds (Exhibit C-3)		$ 3,288,058
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 928,436	
Less: current-year depreciation expense	(2,380,748)	(1,452,312)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase (decrease) net position.		
Add: assets donated and capitalized	$ 367,500	
Less: book value of assets disposed	(136,639)	230,861
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2016	$ 2,594,469	
Less: deferred delinquent property taxes and other deferred June 30, 2015	(2,303,602)	290,867
(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:		
Less: refunding debt issued	$ (4,215,000)	
Add: principal amount of debt refunded	4,155,000	
Less: change in unamortized discount on debt issues	(86,458)	
Add: change in unamortized premium on debt issues	33,847	
Add: principal payments on bonds	1,170,000	
Add: principal payments on other loans	3,162,827	
Less: change in deferred amounts on refunding debt	(70,141)	
Less: contributions from Nursing Home for bond	(165,000)	3,985,075
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 8,076	
Change in compensated absences payable	(12,919)	
Change in other postemployment benefits liability	(109,737)	
Change in net pension liability/asset	176,624	
Change in deferred outflows related to pensions	56,210	
Change in deferred inflows related to pensions	728,899	847,153

(Continued)

Exhibit C-4

Jefferson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Cont.)

(6) An internal service fund is used by management to charge the cost of employee dental and vision benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.	$ (29,150)
Change in net position of governmental activities (Exhibit B)	$ 7,160,552

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

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 12,387,774	$ 0	$ 0	$ 12,387,774	$ 10,978,100	$ 11,558,873	$ 828,901
Licenses and Permits	404,041	0	0	404,041	291,500	291,500	112,541
Fines, Forfeitures, and Penalties	378,138	0	0	378,138	342,400	350,400	27,738
Charges for Current Services	3,630,559	0	0	3,630,559	3,245,390	3,245,704	384,855
Other Local Revenues	626,143	0	0	626,143	561,404	574,875	51,268
Fees Received From County Officials	1,845,487	0	0	1,845,487	1,653,063	1,653,063	192,424
State of Tennessee	2,187,219	0	0	2,187,219	1,703,707	1,719,687	467,532
Federal Government	649,486	0	0	649,486	561,513	584,843	64,643
Other Governments and Citizens Groups	155,030	0	0	155,030	174,000	174,500	(19,470)
Total Revenues	$ 22,263,877	$ 0	$ 0	$ 22,263,877	$ 19,511,077	$ 20,153,445	$ 2,110,432
Expenditures							
General Government							
County Commission	$ 267,149	$ 0	$ 0	$ 267,149	$ 263,622	$ 330,471	$ 63,322
Board of Equalization	650	0	0	650	2,000	2,000	1,350
County Mayor/Executive	230,861	(15)	0	230,846	261,440	264,426	33,580
Election Commission	286,999	(950)	0	286,049	314,151	318,984	32,935
Register of Deeds	287,890	(455)	0	287,435	294,476	299,748	12,313
Codes Compliance	93,352	0	0	93,352	92,430	95,187	1,835
County Buildings	915,723	0	0	915,723	983,624	1,010,920	95,197
Other Facilities	314,668	0	0	314,668	470,350	474,996	160,328
Other General Administration	0	0	0	0	2,500	2,500	2,500
Preservation of Records	7,197	(774)	0	6,423	9,800	11,800	5,377
Finance							
Accounting and Budgeting	658,433	0	0	658,433	663,583	680,987	22,554
Property Assessor's Office	492,897	0	0	492,897	490,378	500,839	7,942
County Trustee's Office	60,341	0	0	60,341	64,998	64,997	4,656
County Clerk's Office	123,563	0	0	123,563	120,122	127,699	4,136
Data Processing	131,047	(23)	0	131,024	146,901	164,346	33,322
Other Finance	530,159	0	0	530,159	744,748	594,695	64,536

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice							
Circuit Court	$ 675,212	$ 0	$ 0	$ 675,212	$ 736,505	$ 748,877	$ 73,665
General Sessions Court	287,293	0	0	287,293	291,650	293,369	6,076
Drug Court	34,950	0	0	34,950	29,000	29,000	(5,950)
Chancery Court	224,353	0	0	224,353	223,615	229,018	4,665
Juvenile Court	262,670	(82)	0	262,588	257,791	269,325	6,737
Other Administration of Justice	486	0	0	486	1,500	1,500	1,014
Victim Assistance Programs	42,204	0	0	42,204	32,500	40,500	(1,704)
Public Safety							
Sheriff's Department	3,636,480	(18,557)	39,235	3,657,158	3,687,257	3,824,278	167,120
Wheel Tax Officer	14,333	0	0	14,333	15,442	16,135	1,802
Administration of the Sexual Offender Registry	9,882	0	0	9,882	20,000	20,000	10,118
Jail	2,621,683	(20,679)	0	2,601,004	2,582,890	2,777,609	176,605
Workhouse	362,953	0	0	362,953	380,421	389,520	26,567
Inspection and Regulation	93,894	0	0	93,894	99,315	102,874	8,980
Public Safety Grants Program	15,000	0	0	15,000	19,000	19,000	4,000
Other Public Safety	509,079	0	0	509,079	483,393	509,079	0
Public Health and Welfare							
Local Health Center	189,200	0	0	189,200	217,155	240,977	51,777
Rabies and Animal Control	114,558	(479)	0	114,079	123,819	128,009	13,930
Ambulance/Emergency Medical Services	4,036,489	(156)	0	4,036,333	4,060,772	4,379,239	342,906
Sanitation Education/Information	57,918	(453)	0	57,465	73,272	74,550	17,085
Other Public Health and Welfare	106,044	0	0	106,044	110,484	114,400	8,356
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	217,073	0	0	217,073	214,514	219,311	2,238
Libraries	452,753	(170)	0	452,583	442,468	478,422	25,839
Agriculture and Natural Resources							
Agricultural Extension Service	100,882	0	0	100,882	108,357	108,892	8,010
Soil Conservation	29,767	0	0	29,767	39,814	39,814	10,047

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Other Operations							
Veterans' Services	$ 37,168	$ 0	$ 0	$ 37,168	$ 55,514	$ 55,514	$ 18,346
Contributions to Other Agencies	1,061,251	0	0	1,061,251	925,000	1,061,251	0
Total Expenditures	$ 19,594,504	$ (42,793)	$ 39,235	$ 19,590,946	$ 20,156,571	$ 21,115,058	$ 1,524,112
Excess (Deficiency) of Revenues Over Expenditures	$ 2,669,373	$ 42,793	$ (39,235)	$ 2,672,931	$ (645,494)	$ (961,613)	$ 3,634,544
Other Financing Sources (Uses)							
Insurance Recovery	$ 266,606	$ 0	$ 0	$ 266,606	$ 0	$ 266,606	$ 0
Transfers In	0	0	0	0	1,121,295	0	0
Transfers Out	(820,667)	0	0	(820,667)	(727,801)	(821,006)	339
Total Other Financing Sources	$ (554,061)	$ 0	$ 0	$ (554,061)	$ 393,494	$ (554,400)	$ 339
Net Change in Fund Balance	$ 2,115,312	$ 42,793	$ (39,235)	$ 2,118,870	$ (252,000)	$ (1,516,013)	$ 3,634,883
Fund Balance, July 1, 2015	6,100,290	(42,793)	0	6,057,497	4,806,297	4,806,297	1,251,200
Fund Balance, June 30, 2016	$ 8,215,602	$ 0	$ (39,235)	$ 8,176,367	$ 4,554,297	$ 3,290,284	$ 4,886,083

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

Exhibit C-6

Jefferson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Other Local Revenues	$ 752,000	$ 754,000	$ 754,000	$ (2,000)
Total Revenues	$ 752,000	$ 754,000	$ 754,000	$ (2,000)
Expenditures				
Finance				
Other Finance	$ 6,895	$ 7,600	$ 7,600	$ 705
Total Expenditures	$ 6,895	$ 7,600	$ 7,600	$ 705
Excess (Deficiency) of Revenues Over Expenditures	$ 745,105	$ 746,400	$ 746,400	$ (1,295)
Other Financing Sources (Uses)				
Transfers Out	$ 0	$ (1,367,864)	$ 0	$ 0
Total Other Financing Sources	$ 0	$ (1,367,864)	$ 0	$ 0
Net Change in Fund Balance	$ 745,105	$ (621,464)	$ 746,400	$ (1,295)
Fund Balance, July 1, 2015	3,948,488	3,942,104	3,942,104	6,384
Fund Balance, June 30, 2016	$ 4,693,593	$ 3,320,640	$ 4,688,504	$ 5,089

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

Exhibit C-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 2,375,494	$ 0	$ 0	$ 2,375,494	$ 2,304,600	$ 2,304,600	$ 70,894
Charges for Current Services	35,145	0	0	35,145	55,000	55,000	(19,855)
Other Local Revenues	120	0	0	120	0	0	120
State of Tennessee	1,927,918	0	0	1,927,918	1,982,308	1,982,308	(54,390)
Federal Government	65,114	0	0	65,114	0	61,858	3,256
Total Revenues	$ 4,403,791	$ 0	$ 0	$ 4,403,791	$ 4,341,908	$ 4,403,766	$ 25
Expenditures							
Highways							
Administration	$ 268,965	$ 0	$ 0	$ 268,965	$ 280,837	$ 283,584	$ 14,619
Highway and Bridge Maintenance	2,364,576	0	7,406	2,371,982	2,315,137	2,407,237	35,255
Operation and Maintenance of Equipment	899,415	(383)	0	899,032	921,331	1,063,797	164,765
Quarry Operations	617,236	0	40,000	657,236	774,489	744,817	87,581
Asphalt Plant Operations	27,817	(2,600)	0	25,217	32,600	32,600	7,383
Other Charges	103,766	0	0	103,766	102,319	106,494	2,728
Employee Benefits	120,783	0	0	120,783	87,329	120,784	1
Capital Outlay	14,086	0	0	14,086	91,662	304,611	290,525
Total Expenditures	$ 4,416,644	$ (2,983)	$ 47,406	$ 4,461,067	$ 4,605,704	$ 5,063,924	$ 602,857
Excess (Deficiency) of Revenues Over Expenditures	$ (12,853)	$ 2,983	$ (47,406)	$ (57,276)	$ (263,796)	$ (660,158)	$ 602,882
Other Financing Sources (Uses)							
Insurance Recovery	$ 1,544	$ 0	$ 0	$ 1,544	$ 0	$ 0	$ 1,544
Transfers In	62,580	0	0	62,580	0	62,580	0
Total Other Financing Sources	$ 64,124	$ 0	$ 0	$ 64,124	$ 0	$ 62,580	$ 1,544
Net Change in Fund Balance	$ 51,271	$ 2,983	$ (47,406)	$ 6,848	$ (263,796)	$ (597,578)	$ 604,426
Fund Balance, July 1, 2015	2,055,811	(2,983)	0	2,052,828	1,560,409	1,560,409	492,419
Fund Balance, June 30, 2016	$ 2,107,082	$ 0	$ (47,406)	$ 2,059,676	$ 1,296,613	$ 962,831	$ 1,096,845

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

Exhibit D-1

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

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
ASSETS		
Current Assets:		
Cash	$ 25	$ 0
Equity in Pooled Cash and Investments	739,391	81,643
Accounts Receivable	85,654	0
Allowance for Uncollectibles	(2,500)	0
Due from Other Funds	75,852	0
Due from Component Units	0	2,752
Total Current Assets	$ 898,422	$ 84,395
Noncurrent Assets:		
Net Pension Asset - Agent Plan	$ 32,559	$ 0
Capital Assets:		
Assets Not Depreciated:		
Land	510,430	0
Construction in Progress	212,938	0
Assets Net of Accumulated Depreciation:		
Landfill Facilities and Development	72,861	0
Buildings and Improvements	77,831	0
Machinery and Equipment	1,064,338	0
Total Noncurrent Assets	$ 1,970,957	$ 0
Total Assets	$ 2,869,379	$ 84,395
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources:		
Pension Changes in Experience	$ 1,563	$ 0
Pension Contributions After Measurement Date	70,796	0
Total Deferred Outflows of Resources	$ 72,359	$ 0
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 7,371	$ 0
Claims Payable	0	6,383
Accrued Payroll	8,448	0
Due to the State of Tennessee	8,658	0
Current Portion of Long-term Liabilities	117,347	0
Total Current Liabilities	$ 141,824	$ 6,383

(Continued)

Exhibit D-1

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

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
LIABILITIES (CONT.)		
Noncurrent Liabilities:		
Due in More Than One Year	$ 4,590,981	$ 0
Total Noncurrent Liabilities	$ 4,590,981	$ 0
Total Liabilities	$ 4,732,805	$ 6,383
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources:		
Pension Changes in Experience	$ 19,529	$ 0
Pension Changes in Investment Earnings	14,342	0
Total Deferred Inflows of Resources	$ 33,871	$ 0
NET POSITION		
Net Investment in Capital Assets	$ 1,938,398	$ 0
Net Position - Restricted for Other Purposes	32,559	0
Net Position - Unrestricted	(3,795,895)	78,012
Total Net Position	$ (1,824,938)	$ 78,012

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

Exhibit D-2

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

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
Operating Revenues		
Tipping Fees	$ 1,488.796	$ 0
Lease/Rentals	12	0
Sale of Recycled Materials	222.861	0
Miscellaneous Refunds	44.616	0
State of Tennessee	18.638	0
Self-Insurance Premiums/Contributions	0	129,926
Total Operating Revenues	$ 1,774,923	$ 129,926
Operating Expenses		
Cost of Sales and Services		
Supervisor/Director	$ 28,357	$ 0
Accountants/Bookkeepers	36,260	0
Longevity Pay	8,550	0
Overtime	24,294	0
Laborers	361.672	0
Board and Committee Members Fees	4.320	0
Social Security	29.719	0
Pensions	19.114	0
Life Insurance	982	0
Medical Insurance	118.032	0
Dental Insurance	1.175	0
Unemployment Compensation	2.836	0
Employer Medicare	6.959	0
Data Processing Services	4,730	0
Engineering Services	117,137	0
Evaluation and Testing	51,274	0
Janitorial Services	822	0
Maintenance Agreements	693	0
Maintenance and Repair Services - Equipment	58,539	0
Postal Charges	58	0
Rentals	3,492	0
Travel	1,576	0
Other Contracted Services	27,927	0
Crushed Stone	31.643	0
Diesel Fuel	67.012	0
Fertilizer. Lime, and Seed	3.000	0
Gasoline	17.870	0
Lubricants	14.353	0

(Continued)

Exhibit D-2

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

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
Operating Expenses (Cont.)		
Cost of Sales and Services (Cont.)		
Office Supplies	$ 3,115	$ 0
Small Tools	4,850	0
Tires and Tubes	32	0
Utilities	8,657	0
Other Supplies and Materials	5,509	0
Building and Contents Insurance	1,660	0
Liability Insurance	2,110	0
Trustee's Commission	14,936	0
Vehicle and Equipment Insurance	3,376	0
Workers' Compensation Insurance	27,539	0
Depreciation	134,528	0
Surcharge	33,113	0
Landfill Closure/Postclosure Care Costs	14,336	0
Other Charges	13,037	0
Solid Waste Equipment	42,740	0
Handling Charges and Administrative Costs	0	16,126
Other Self-Insured Claims	0	142,950
Total Operating Expenses	$ 1,351,934	$ 159,076
Operating Income (Loss)	$ 422,989	$ (29,150)
Nonoperating Revenues (Expenses)		
Interest on Internal Loan	$ (721)	$ 0
Total Nonoperating Revenues (Expenses)	$ (721)	$ 0
Income (Loss) Before Contributions and Transfers	$ 422,268	$ (29,150)
Transfers In	44,103	0
Change in Net Position	$ 466,371	$ (29,150)
Net Position, July 1, 2015	(2,291,309)	107,162
Net Position, June 30, 2016	$ (1,824,938)	$ 78,012

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

Exhibit D-3

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

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
Cash Flows from Operating Activities		
Receipts from Customers and Users	$ 1,518,931	$ 0
Receipts from Recycled Materials	222,861	0
Receipts from Other Operating Grants	18,638	0
Receipts for Self-Insurance Premiums	0	133,853
Payments to Employees and Board Members	(469,407)	0
Payments for Fringe Benefits	(230,499)	0
Payments to Suppliers	(262,164)	0
Payments to Others	(302,512)	0
Payments for Claims	0	(145,257)
Payments for Administrative Costs	0	(16,126)
Net Cash Provided By (Used In) Operating Activities	$ 495,848	$ (27,530)
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	$ (281,749)	$ 0
Transfer from Primary Government for Capital Asset Purchase	27,333	0
Principal Paid on Internal Loan	(88,127)	0
Interest Paid on Internal Loan	(903)	0
Net Cash Provided By (Used In) Capital and Related Financing Activities	$ (343,446)	$ 0
Cash Flows from Noncapital Financing Activities		
Transfers from Other Funds	$ 16,770	$ 0
Net Cash Provided By (Used In) Noncapital Financing Activities	$ 16,770	$ 0
Increase (Decrease) in Cash	$ 169,172	$ (27,530)
Cash, July 1, 2015	570,244	109,173
Cash, June 30, 2016	$ 739,416	$ 81,643

(Continued)

Exhibit D-3

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

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities		
Operating Income (Loss)	$ 422,989	$ (29,150)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	134,528	0
Changes in Deferred Outflows for Pensions	(6,181)	0
Changes in Deferred Inflows for Pensions	(45,239)	0
Landfill Closure/Postclosure Care Cost	14,336	0
Changes in Assets and Liabilities:		
(Increase) Decrease in Net Pension Asset/Liability	(262)	0
(Increase) Decrease in Accounts Receivable	(14,229)	3,927
Increase (Decrease) in Allowance for Uncollectibles	1,500	0
(Increase) Decrease in Due from Other Funds	(1,764)	0
Increase (Decrease) in Operating Accounts Payable	(4,151)	0
Increase (Decrease) in Claims Payable	0	(2,307)
Increase (Decrease) in Accrued Payroll	(7,699)	0
Increase (Decrease) in Due to State of Tennessee	275	0
Increase (Decrease) in Compensated Absences	1,745	0
Net Cash Provided By (Used In) Operating Activities	$ 495,848	$ (27,530)
Reconciliation of Cash With Statement of Net Position		
Cash Per Net Position	$ 25	$ 0
Equity in Pooled Cash and Investments Per Net Position	739,391	81,643
Cash, June 30, 2016	$ 739,416	$ 81,643

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

Exhibit E-1

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

	Agency Funds
ASSETS	
Cash	$ 1,915,411
Equity in Pooled Cash and Investments	12,745
Accounts Receivable	41,156
Due from Other Governments	888,216
Property Taxes Receivable	1,253,260
Allowance for Uncollectible Property Taxes	(45,814)
Total Assets	$ 4,064,974
LIABILITIES	
Due to Other Taxing Units	$ 2,108,407
Due to Litigants, Heirs, and Others	1,956,567
Total Liabilities	$ 4,064,974

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

JEFFERSON COUNTY, TENNESSEE
Index of Notes to the Financial Statements

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson 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 Jefferson County:

A. Reporting Entity

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

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

The Jefferson County School Department operates the public school system in the county, and the voters of Jefferson 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 Jefferson County Nursing Home provides nursing care to the citizens of Jefferson County, and the Jefferson County Commission appoints its governing body. Patient charges provide the majority of the revenues for the entity. Before the issuance of debt instruments, the entity must obtain the County Commission's approval.

The Jefferson County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Jefferson County, and the Jefferson County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the

issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Jefferson County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Jefferson 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 Jefferson County Nursing Home and the Jefferson County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Jefferson County Nursing Home
914 Industrial Park Road
Dandridge, TN 37725

Jefferson County Emergency
Communications District
P.O. Box 705
Jefferson City, TN 37760

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

B. Government-wide and Fund Financial Statements

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

Jefferson County issues all debt for the discretely presented Jefferson County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2016.

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

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

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

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

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

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

Jefferson 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.

Other Special Revenue Fund – This special revenue fund accounts for the county's share of revenues generated under the joint venture hospital lease.

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.

Jefferson County reports the following major proprietary fund:

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

Additionally, Jefferson County reports the following fund types:

Capital Projects Funds – These funds are used to account for financial resources to be used in the acquisition or construction of capital assets.

Internal Service Fund – The Employee Insurance - Dental and Vision Fund is used to account for the county's self-insured dental and vision programs. Premiums charged to the various county funds and employee payroll deductions are placed in this fund for the payment of claims of county employees.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Jefferson County, the cities property taxes collected by the county trustee and forwarded to the Town of Dandridge and the City of Baneberry. 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 Jefferson County School Department reports the following major governmental fund:

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

Additionally, the Jefferson 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 Funds – These funds are used to account for the transactions related to general and specific capital projects and to account for the receipt of debt issued by Jefferson County and contributed to the School Department for building construction and renovations.

Internal Service Fund – The Employee Insurance - Dental and Vision Fund is used to account for the School Department's self-insured dental and vision programs. Premiums charged to the various School Department funds and employee payroll deductions are placed in this fund for the payment of claims of School Department employees.

Other Employee Benefit Trust Fund – The Flexible Benefits Fund is used to account for operations of the flexible benefits program for School Department employees. This fund had become inactive and was closed during the fiscal year.

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 two proprietary funds, an enterprise fund and an internal service fund. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the enterprise fund is tipping fees. Operating expenses of the enterprise fund include various expenses associated with the operation of the county's landfill. The principal operating revenues of the county's and the School Department's internal service funds are charges for services. Operating expenses for the internal service funds include administrative expenses and employee benefits.

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

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash includes cash on hand and cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's

Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Jefferson 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. Jefferson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a Stable Net Asset Value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. **Receivables and Payables**

Activity between funds for unremitted current collections at the end of the fiscal year is referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All ambulance, property taxes, and solid waste receivables are shown with an allowance for uncollectibles. The ambulance and solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.28 percent of total taxes levied.

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not

available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Most payables are disaggregated on the face of the financial statements. The Claims and Judgments payable account totaling $59,732 is discussed in Note V.B. Risk Financing Activities.

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

3. **Prepaid Items**

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

4. **Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and 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. Interest incurred during the construction phase of capital assets of the enterprise fund is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Landfill Facilities and Development	5 - 40
Buildings and Improvements	15 - 40
Machinery and Equipment	3 - 15
Other Capital Assets	5 - 25
Infrastructure	99

5. Deferred Outflows/Inflows of Resources

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

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/or the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, deferred credit on refunding, pension changes in experience, pension changes in investment earnings, and various receivables for revenues, which do not meet the availability criteria in governmental funds.

6. **Compensated Absences**

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

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for vacation and sick pay is reported in the governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The School Department offers teachers a financial incentive for accumulated sick leave. This incentive is available to all teachers who leave the School Department in good standing with at least ten consecutive years of service. The incentive amount is $25 for each accumulated day of sick leave. During the 2015-16 year, eight employees received this incentive. The financial statements of this report reflect expenditures of $29,887 in the General Purpose School Fund for the accumulated sick leave incentive payments.

7. **Long-term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the 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, termination benefits, other postemployment benefits, and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. Net Position and Fund Balance

In the government-wide financial statements and the proprietary 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.

Restricted for Other Purposes on the Statement of Net Position for the primary government and the proprietary fund include $824,265 and $32,559, respectively, resulting from the recognition of net pension assets. Restricted for Education on the Statement of Net Position for the discretely presented School Department includes $496,028 resulting from the recognition of net pension assets.

As of June 30, 2016, Jefferson County had $71,572,800 in outstanding debt for capital purposes for the discretely presented Jefferson County School Department and the discretely presented Jefferson County

Nursing Home. This debt is a liability of Jefferson County, but the capital assets acquired are reported in the financial statements of the component units. Therefore, Jefferson 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 the unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission or the Finance Director makes assignments for the general government. The Board of Education makes assignments for the School Department. Assigned fund balance in the primary government's General Fund consists of amounts assigned for encumbrances ($39,235), ambulance purchase ($142,650), and support services ($35,000). Assigned fund balance in the School

Department's General Purpose School Fund consists of amounts assigned for encumbrances ($320,925), maintenance projects ($15,000), capital projects ($115,308), and textbooks ($241,477).

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

9. **Minimum Fund Balance Policy**

To provide management with appropriate guidelines and direction to assist in making sound decisions related to managing the fund balance of certain governmental funds, the following minimum fund balance policy exists:

General Fund – 15 percent of the subsequent year's appropriations in unassigned fund balance.

General Debt Service Fund – 50 percent of the subsequent year's debt service requirement.

E. Pension Plans

Primary Government

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

Discretely Presented Jefferson County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by

the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Jefferson 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 Jefferson 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 for the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted and the capital project funds (except for the General Capital

Projects Fund), which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

At June 30, 2016, Jefferson County and the Jefferson County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government:		
Nonmajor Fund:		
General Capital Projects	Capital outlay	$ 273,884
School Department:		
Major Fund:		
General Purpose School	Capital outlay	305,880

B. Net Position Deficit

The county's Solid Waste Disposal Fund had a deficit of $1,824,938 in total net position and a deficit of $3,795,895 in unrestricted net position at June 30, 2016. Further details related to liabilities recorded in this fund are disclosed in Note V.F. Landfill Closure/Postclosure Care Costs.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations in certain major appropriation categories (the legal level of control) of the following funds:

Fund/Major Appropriation Category	Amount Overspent
Primary Government:	
General:	
Drug Court	$ 5,950
Victim Assistance Programs	1,704
General Debt Service:	
Other Debt Service - General Government	697

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded from available fund balances and greater than anticipated revenues.

D. Payment Bond Not Required

A payment bond was not required from a contractor on a contract exceeding $100,000 as required by law. Failure to obtain the bond increased the county's risk of loss associated with the project.

E. Cash Shortage

On July 10, 2015, a Fraud Reporting Form was filed with the Comptroller of the Treasury alleging a cash shortage in the Planning and Zoning Office. An internal review of the receipts and deposits of the office by the county's finance director, with assistance from the Comptroller's Office, determined that $21,752 in adequate facilities tax and building permit collections had not been remitted to the county trustee. Details of this cash shortage were presented in the Schedule of Findings and Questioned Costs in the Single Audit section of the annual financial report for the year ended June 30, 2015. The district attorney general was notified of the cash shortage, and the Tennessee Bureau of Investigations conducted an investigation. On January 11, 2016, the Jefferson County Grand Jury returned indictments charging a former employee of the Planning and Zoning Office with one count of theft over $10,000, one count of theft over $1,000, and four counts of official misconduct. The former employee was arrested on January 25, 2016, and is scheduled for trial on May 4, 2017. The cash shortage was liquidated by the county's insurance carrier during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Jefferson County and the Jefferson 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.

Investment Balances. As of June 30, 2016, Jefferson County had the following investment carried at amortized cost within the fair value hierarchy established by generally accepted accounting principles. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Jefferson County and the discretely presented Jefferson County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturities (days)	Amortized Cost
State Treasurer's Investment Pool	4 to 117	$ 747,346

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

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

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	$ 1,527,216	$ 120,000	$ 0	$ 1,647,216
Construction in Progress	77,342	308,495	(41,958)	343,879
Total Capital Assets Not Depreciated	$ 1,604,558	$ 428,495	$ (41,958)	$ 1,991,095
Capital Assets Depreciated:				
Buildings and Improvements	$ 22,313,100	$ 155,689	$ 0	$ 22,468,789
Other Capital Assets	9,972,000	506,210	(246,596)	10,231,614
Infrastructure	116,780,427	247,500	0	117,027,927
Total Capital Assets Depreciated	$ 149,065,527	$ 909,399	$ (246,596)	$ 149,728,330
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 5,364,123	$ 571,207	$ 0	$ 5,935,330
Other Capital Assets	6,848,883	628,157	(109,957)	7,367,083
Infrastructure	36,869,689	1,181,384	0	38,051,073
Total Accumulated Depreciation	$ 49,082,695	$ 2,380,748	$ (109,957)	$ 51,353,486
Total Capital Assets Depreciated, Net	$ 99,982,832	$ (1,471,349)	$ (136,639)	$ 98,374,844
Governmental Activities Capital Assets, Net	$ 101,587,390	$ (1,042,854)	$ (178,597)	$ 100,365,939

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

Governmental Activities:

General Government	$ 45,952
Finance	5,710
Administration of Justice	448,453
Public Safety	224,594
Public Health and Welfare	361,094
Social, Cultural, and Recreational Services	6,450
Highways/Public Works	1,288,495
Total Depreciation Expense - Governmental Activities	$ 2,380,748

Business-type Activities:

	Balance 7-1-15	Increases	Balance 6-30-16
Capital Assets Not Depreciated:			
Land	$ 461,930	$ 48,500	$ 510,430
Construction in Progress	114,252	98,686	212,938
Total Capital Assets Not Depreciated	$ 576,182	$ 147,186	$ 723,368
Capital Assets Depreciated:			
Landfill Facilities and Development	$ 458,228	$ 0	$ 458,228
Buildings and Improvements	339,833	27,333	367,166
Machinery and Equipment	3,475,745	107,230	3,582,975
Total Capital Assets Depreciated	$ 4,273,806	$ 134,563	$ 4,408,369
Less Accumulated Depreciation For:			
Landfill Facilities and Development	$ 380,403	$ 4,964	$ 385,367
Buildings and Improvements	285,562	3,773	289,335
Machinery and Equipment	2,392,846	125,791	2,518,637
Total Accumulated Depreciation	$ 3,058,811	$ 134,528	$ 3,193,339
Total Capital Assets Depreciated, Net	$ 1,214,995	$ 35	$ 1,215,030
Business-type Activities Capital Assets, Net	$ 1,791,177	$ 147,221	$ 1,938,398

The business-type activities had no decreases in capital assets during the year. Depreciation expense totaling $134,528 was charged to the Solid Waste Disposal Fund.

Discretely Presented Jefferson County School Department

Governmental Activities:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	$ 1,492,550	$ 0	$ 0	$ 1,492,550
Construction in Progress	26,929,881	2,127,478	0	29,057,359
Total Capital Assets Not Depreciated	$ 28,422,431	$ 2,127,478	$ 0	$ 30,549,909
Capital Assets Depreciated:				
Buildings and Improvements	$ 64,262,959	$ 0	$ (37,046)	$ 64,225,913
Machinery and Equipment	2,760,742	68,874	0	2,829,616
Other Capital Assets	6,037,454	343,768	(194,034)	6,187,188
Total Capital Assets Depreciated	$ 73,061,155	$ 412,642	$ (231,080)	$ 73,242,717
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 25,413,987	$ 1,460,314	$ (18,060)	$ 26,856,241
Machinery and Equipment	1,736,355	195,960	0	1,932,315
Other Capital Assets	3,347,513	387,270	(157,646)	3,577,137
Total Accumulated Depreciation	$ 30,497,855	$ 2,043,544	$ (175,706)	$ 32,365,693
Total Capital Assets Depreciated, Net	$ 42,563,300	$ (1,630,902)	$ (55,374)	$ 40,877,024
Governmental Activities Capital Assets, Net	$ 70,985,731	$ 496,576	$ (55,374)	$ 71,426,933

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

Governmental Activities:

Instruction	$ 1,370,171
Support Services	558,431
Operation of Non-instructional Services	114,942
Total Depreciation Expense - Governmental Activities	$ 2,043,544

C. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 1,767
Solid Waste Disposal	Nonmajor governmental	75,852

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
	Component Unit:	
Primary Government:	School Department:	
General Debt Service	General Purpose School	$ 37,500
Internal Service	Internal Service	2,752
Component Unit:		
School Department:	Primary Government:	
Nonmajor governmental	Nonmajor governmental	85,529

The amount reflected as Due to Primary Government's, General Debt Service Fund from the discretely presented School Department represents an internal capital outlay note with a term of three years for the purchase of a triple-wide trailer. Of that amount, $21,000 is not expected to be received within one year.

The government-wide Statement of Net Position also reports $6,910,000 as due from the discretely presented Jefferson County Nursing Home to the governmental activities of the primary government. This amount represents general obligation debt issued by the county, which is being retired by the nursing home. See Note VI.F. for further information about this debt.

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In: General Debt Service Fund	Transfers In: Solid Waste Disposal Fund
General Fund	$ 477,462	$ 16,770
Nonmajor governmental funds	70,000	27,333
Total	$ 547,462	$ 44,103

Primary Government

Transfers Out	Transfers In: Highway/ Public Works Fund	Transfers In: Nonmajor Governmental Funds
General Fund	$ 62,580	$ 263,855
Nonmajor governmental funds	0	255,000
Total	$ 62,580	$ 518,855

Discretely Presented Jefferson County School Department:

Transfer Out	Transfers In: General Purpose School Fund	Transfers In: Nonmajor Governmental Funds
Nonmajor governmental funds	$ 69,723	$ 0
General Purpose School Fund	0	1,002,601
Total	$ 69,723	$ 1,002,601

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

D. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Jefferson 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, other loans, and notes. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 18 years for other loans. The county had no outstanding capital outlay notes at June 30, 2016. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2016, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-16
General Obligation Bonds	2.54 to 2.9 %	6-1-36	$ 26,685,000	$ 25,710,000
General Obligation Refunding Bonds	1.45 to 3.41	6-1-37	18,950,000	17,650,000
General Obligation - Recovery Zone Economic Development Bonds	3.69	6-1-40	16,000,000	16,000,000
Other Loans - Refunding	Variable	6-1-26	13,305,000	8,495,000
Other Loans - Refunding	4 to 5	6-1-19	13,740,000	3,755,000
Other Loans - Qualified School Construction Bonds	0 (1)	8-1-27	10,595,000	7,399,629
Other Loans - Energy Efficient Schools Initiative	2.5	3-1-24	2,506,325	1,703,171

(1) Interest rate of approximately 4.85 percent is offset by a federal interest subsidy resulting in a net interest rate of zero percent.

In prior years, Jefferson County entered into loan agreements with the Sevier County Public Building Authority and the Blount County Public Building

Authority. The following table summarizes those loan agreements outstanding as of June 30, 2016:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-16	Interest Type	Interest Rates as of 6-30-16	Other Fees on Variable Rate Debt
Sevier County Public Building Authority					
Local Government Public Improvement Bond - Refunding (V-G-1)	$ 13,740,000	$ 3,755,000	Fixed	4 to 5 %	N/A
Total		$ 3,755,000			
Blount County Public Building Authority					
Local Government Public Improvement Bond - Refunding (E-3-D)	13,305,000	$ 8,495,000	Variable	0.9	.25%
Total		$ 8,495,000			
Total		$ 12,250,000			

The variable rate Blount County Public Building Authority loan is repayable at an interest rate that is a tax-exempt variable rate determined monthly by the remarketing agent. In addition, the county pays various other fees (trustee, debt remarketing, administrative, etc.) in connection with the variable rate loan. The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2016, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2017	$ 1,240,000	$ 2,256,881	$ 3,496,881
2018	1,155,000	2,220,423	3,375,423
2019	2,600,000	2,189,573	4,789,573
2020	3,090,000	2,108,873	5,198,873
2021	3,175,000	2,012,398	5,187,398
2022-2026	10,870,000	8,872,466	19,742,466
2027-2031	9,425,000	7,761,823	17,186,823
2032-2036	11,375,000	6,402,588	17,777,588
2037-2040	16,430,000	2,805,920	19,235,920
Total	$ 59,360,000	$ 36,630,945	$ 95,990,945

Year Ending June 30	Other Loans Principal	Interest	Other Fees	Total
2017	$ 3,262,795	$ 804,185	$ 29,798	$ 4,096,778
2018	3,392,895	719,380	27,966	4,140,241
2019	2,043,127	624,162	26,008	2,693,297
2020	1,733,491	594,245	23,925	2,351,661
2021	1,788,988	580,968	21,779	2,391,735
2022-2026	8,342,991	2,699,739	72,311	11,115,041
2027-2028	788,513	564,231	10,598	1,363,342
Total	$ 21,352,800	$ 6,586,910	$ 212,385	$ 28,152,095

There is $7,120,532 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and other loans totaled $1,570 based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Other Loans
Balance, July 1, 2015	$ 60,470,000	$ 24,515,627
Additions	4,215,000	0
Reductions	(5,325,000)	(3,162,827)
Balance, June 30, 2016	$ 59,360,000	$ 21,352,800
Balance Due Within One Year	$ 1,240,000	$ 3,262,795

	Other Postemployement Benefits	Compensated Absences
Balance, July 1, 2015	$ 659,317	$ 467,086
Additions	127,900	479,853
Reductions	(18,163)	(466,934)
Balance, June 30, 2016	$ 769,054	$ 480,005
Balance Due Within One Year	$ 0	$ 336,004

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	$ 81,961,859
Less: Balance Due Within One Year	(4,838,799)
Less: Unamortized Premium on Debt	426,653
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 77,549,713

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works funds.

Current Refunding

On May 13, 2016, Jefferson County refunded the outstanding balance of the Series 2007 Nursing Home General Obligation Bond ($4,155,000). The county issued $4,215,000 of General Obligation Refunding Bonds to provide resources to refund this bond. As a result of the current refunding of the bond, total debt service payments over the next 21 years will be decreased by $1,225,305, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) of $952,732 was obtained.

Defeasance of Prior Debt

In a prior year, Jefferson County defeased a portion of a general obligation issue (Nursing Home Bond) by placing a portion of the proceeds for a new bond into an irrevocable trust to provide for all future debt service payments on the old bonds. The outstanding bonds totaling $2,540,000 were called and retired in the current year.

Solid Waste Disposal Fund (enterprise fund)

Changes in Long-term Obligations

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

Business-type Activities:

	Compensated Absences	Closure/ Postclosure Care Costs
Balance, July 1, 2015	$ 11,542	$ 4,680,705
Additions	18,110	34,097
Reductions	(16,365)	(19,761)
Balance, June 30, 2016	$ 13,287	$ 4,695,041
Balance Due Within One Year	$ 3,149	$ 114,198

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	$ 4,708,328
Less: Balance Due Within One Year	(117,347)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 4,590,981

Discretely Presented Jefferson County School Department

Changes in Long-term Obligations

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

Governmental Activities:

	Compensated Absences	Termination Benefits
Balance, July 1, 2015	$ 654,123	$ 82,533
Additions	166,965	107,650
Reductions	(124,060)	(95,091)
Balance, June 30, 2016	$ 697,028	$ 95,092
Balance Due Within One Year	$ 168,879	$ 55,000

	Net Pension Liability (Asset) Teacher Legacy Plan	Other Postemployment Benefits
Balance, July 1, 2015	$ (105,047)	$ 9,773,855
Additions	3,034,252	2,061,528
Reductions	(2,660,309)	(821,974)
Balance, June 30, 2016	$ 268,896	$ 11,013,409
Balance Due Within One Year	$ 0	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	$ 12,074,425
Less: Balance Due Within One Year	(223,879)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 11,850,546

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

E. Pledges of Future Revenues

In August 2008, the citizens of Jefferson County voted to increase the local option sales tax from 2.25 to 2.75 percent. The county pledged all additional sales tax collections generated from the half-cent increase in the unincorporated areas of the county and half of the additional sales tax collections in the cities within the county to be used for the reduction and retirement of school indebtedness. Jefferson County had outstanding debt for school purposes of $64,662,800 at June 30, 2016. That debt carries the general obligation pledge of the government in addition to the specific pledge of the one-half cent sales tax revenue.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Jefferson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2016, were

$214,119 and $56,425, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Internal Financing

In-lieu-of issuing debt with financial institutions, Jefferson County chose to internally finance various projects with idle county funds. During a previous year, the county loaned $201,700 of idle funds under Bond Anticipation Note Series 2011A from the General Debt Service Fund to the Solid Waste Disposal Fund to purchase equipment. There is no balance due on the Bond Anticipation Note Series 2011A notes as of June 30, 2016.

Internally Reported Interfund Notes Receivable/Payable

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Due to General Debt Service Fund from Solid Waste Disposal Fund				
Bond Anticipation Note - Series 2011A (Solid Waste)	$ 201,700	1.25 %	10-4-11	10-4-17

	Outstanding 7-1-15	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-16
Due to General Debt Service Fund from Solid Waste Disposal Fund				
Bond Anticipation Note - Series 2011A (Solid Waste)	$ 88,127	$ 0	$ (88,127)	$ 0
Total	$ 88,127	$ 0	$ (88,127)	$ 0

In a prior year, internally reported capital outlay notes of $698,587 were also borrowed from the General Debt Service Fund to provide funds for construction costs of the discretely presented School Department. For external reporting, this transaction was recognized as a contribution to the School Department's Other Capital Projects – RZEDB Fund in the prior year. Repayment of the notes is being provided by annual transfers of tax credit bond rebate revenues from the General Fund. This internally reported notes receivable of the General Debt Service Fund that is to be retired from the

General Debt Service Fund from tax credit bond rebate revenues is summarized below:

	Outstanding 7-1-15	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-16
School Department Improvements	$ 119,003	$ 0	$ (119,003)	$ 0
Total	$ 119,003	$ 0	$ (119,003)	$ 0

V. OTHER INFORMATION

A. Risk Management

Jefferson County and the discretely presented Jefferson County School Department are exposed to risks related to general liability, property, casualty, and workers' compensation. The county and the School Department decided it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county and the School Department joined 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 county and the School Department pay annual premiums to the TN-RMT for their general liability, property, casualty, and workers' compensation coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

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

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

the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

Jefferson County and the discretely presented School Department have chosen to establish Employee Insurance - Dental and Vision funds for risks associated with the employees' dental and vision plans. The Employee Insurance - Dental and Vision funds are accounted for as internal service funds where assets are set aside for claim settlements. The maximum liability is $1,200 per employee per year for dental coverage only and $1,500 per employee per year for dental and vision coverage. All full-time employees of Jefferson County and the School Department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on estimates of the amounts needed to pay claims. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance - Dental and Vision funds established claims liabilities based on estimates of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

Employee Insurance - Dental and Vision Funds

	Beginning of Fiscal Year Liability	Current-Year Claims and Estimates	Payments	Balance at Fiscal Year-end
Primary Government				
2014-2015	$ 4,472	$ 143,084	$ 138,866	$ 8,690
2015-2016	8,690	142,950	145,257	6,383
Discretely Presented School Department				
2014-2015	49,424	349,899	375,577	23,746
2015-2016	23,746	424,480	419,666	28,560

B. Risk Financing Activities

Jefferson County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for workers' compensation insurance for one or more policy years in 1996-97, 1997-98, and 1999-2000. LOGIC obtained excess coverage insurance from Reliance Insurance Company for claims that exceeded specific amounts. Reliance Insurance Company is now insolvent and is being liquidated in the State of Pennsylvania. The insolvency of Reliance Insurance Company has

left the LOGIC members exposed to significant claim liabilities for their policy years. The LOGIC board of directors has assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. As of June 30, 2016, Jefferson County has an outstanding assessment of $59,732, which was due June 30, 2012. Jefferson County has recorded a liability for this amount in the General Fund. However, Jefferson County disputes the claim and has not yet paid the assessment.

C. Accounting Changes

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

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

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

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

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

D. Subsequent Events

On August 26, 2016, the General Debt Service Fund issued a three-year interfund loan to the Solid Waste/Disposal Fund in the amount of $100,000 for the purchase of equipment.

An interfund loan was approved in June 2016 from the county's General Fund to the county's General Capital Projects Fund in the amount of $1,000,000. The funds have not been loaned yet, but are to be used for the renovations at White Pine School after funds provided by the School Department have been expended.

In January 2017, the County Commission and School Board agreed to spend up to $2,800,000 on the renovations at White Pine School. Funding is first to be provided by the General Purpose School Fund ($1,800,000) and then by the county's General Capital Projects Fund ($1,000,000).

At the January 26, 2017, school board meeting, a motion was approved to allocate an additional $200,000 from the 2016-2017 appropriation for capital outlay in the General Purpose School Fund for the addition of a band room at White Pine School.

E. Contingent Liabilities

Jefferson County and the discretely presented Jefferson County School Department are involved in several pending lawsuits. Management, based on estimates from their attorneys, believes that the potential claims against the county and the School Department not covered by insurance, resulting from such litigation, would not materially affect the financial statements of the primary government or the School Department.

F. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require Jefferson County to place a final cover on its sanitary landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites 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 Solid Waste Disposal Fund 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. The $4,695,041 reported as landfill closure and postclosure care liability at June 30, 2016, represents the cumulative amount reported to date based on the use of 48 percent of the estimated capacity of the operating Patterson Landfill site ($3,539,356) and postclosure care costs for the Highway 92 landfill site, which closed in 1993 ($1,155,685). The amounts reported as closure/postclosure liability at June 30, 2016, are based on what it would cost to perform all closure and postclosure care costs in 2016. The county will recognize the remaining

estimated costs of closure and postclosure as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The county expects to close the Patterson Landfill site in the year 2032.

G. Joint Ventures

Primary Government

The county, along with Jefferson City, has participated in the operation of Jefferson Memorial Hospital, a health facility. Effective April 1, 1997, the county and city entered into an agreement to lease the hospital, including all assets and all outstanding liabilities, to a nonprofit corporation, Jefferson Memorial Hospital, Inc. (JMH, Inc.), of which obligations are guaranteed by St. Mary's Health Systems, Inc. Effective October 1, 2011, this lease was assigned by St. Mary's Health Systems, Inc., to Jefferson County HMA, LLC, of which, obligations are guaranteed by Knoxville HMA Holdings, LLC. The county and the city created a seven-member oversight board comprising the hospital's chief of staff, three appointees from the county, and three from the city. The board is responsible for administration of the lease and the hospital in the event of lease termination. The county reflects its share of any net revenues from the lease in the Other Special Revenue Fund. Currently, the county receives $62,500 per month from the lease.

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fourth Judicial District: Sevier, Jefferson, Grainger, and Cocke counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Jefferson County made no contributions to the DTF for the year ended June 30, 2016, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General
Fourth Judicial District
125 Court Avenue, Suite 301
Sevierville, TN 37862

Discretely Presented School Department

The discretely presented School Department participates in the Northeast Tennessee Cooperative (NETCO). The cooperative was established through a contractual agreement between the Boards of Education of Jefferson County and various other counties and cities in the upper East Tennessee area. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated,* and was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to provide this service. NETCO is governed by a representative committee, including one representative from each of the member districts and an executive council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the representative committee.

Complete financial statements for NETCO can be obtained from its administrative office at the following address:

Administrative Office:

Northeast Tennessee Cooperative
100 East Maple Street
P.O. Box 1517
Johnson City, TN 37605

H. Jointly Governed Organizations

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of *Tennessee Code Annotated,* and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a Board of Directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee, consisting of the chairman, vice-chairman, secretary, and treasurer of the Board of Directors, along with the center manager, as an ex officio member, is in charge of the daily operations of the center. The county does not have any ongoing financial interest or responsibility beyond its initial investment.

In October 2012, amended and restated formation documents were filed with the Secretary of State's Office for the Jefferson Health Care Foundation (formerly the Jefferson Memorial Foundation, Inc.). Previously, St. Mary's Health System, which leased hospital operations from the county and Jefferson City, was the sole member of the foundation and provided oversight of certain funds held to benefit community health programs in the city and

county. The hospital is jointly owned by the county and Jefferson City as discussed in Note V.G. With the change in the formation documents, the county and city became the sole members of the foundation. A board, with three members appointed by the county and three members appointed by the city, now oversees the foundation funds.

I. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Jefferson County, non-certified employees of the discretely presented Jefferson County School Department, and employees of the discretely presented Jefferson County Nursing Home are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 51.86 percent, the non-certified employees of the discretely presented School Department comprised 28.8 percent, and the discretely presented Jefferson County Nursing Home comprised 19.34 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	411
Inactive Employees Entitled to But Not Yet Receiving Benefits	437
Active Employees	740
Total	1,588

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Jefferson County employees are non-contributory. Jefferson County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarial Determined Contribution (ADC) for Jefferson County was $3,246,821 based on a rate of 15.63 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Jefferson County's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Jefferson County's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2014	$ 64,386,968	$ 66,057,987	$ (1,671,019)
Changes for the Year:			
Service Cost	$ 1,614,607	$ 0	$ 1,614,607
Interest	4,844,096	0	4,844,096
Differences Between Expected and Actual Experience	(1,189,172)	0	(1,189,172)
Contributions-Employer	0	3,246,821	(3,246,821)
Contributions-Employees	0	0	0
Net Investment Income	0	2,041,119	(2,041,119)
Benefit Payments, Including Refunds of Employee Contributions	(2,827,268)	(2,827,268)	0
Administrative Expense	0	(37,241)	37,241
Other Changes	0	0	0
Net Changes	$ 2,442,263	$ 2,423,431	$ 18,832
Balance, June 30, 2015	$ 66,829,231	$ 68,481,418	$ (1,652,187)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	51.86%	$ 34,657,639	$ 35,514,463	$ (856,824)
Nursing Home	19.34%	12,924,773	13,244,306	(319,533)
School Department	28.80%	19,246,819	19,722,648	(475,830)
Total		$ 66,829,231	$ 68,481,418	$ (1,652,187)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Jefferson County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was

calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

Jefferson County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 7,214,826	$ (1,652,187)	$ (9,025,023)

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

Pension Expense. For the year ended June 30, 2016, Jefferson County recognized pension expense of $911,127.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 79,256	$ 990,977
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,342,054	3,069,791
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	3,293,718	N/A
Total	$ 5,715,028	$ 4,060,768

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	$ 3,008,649	$ 2,105,914
Nursing Home	1,028,832	785,353
School Department	1,677,547	1,169,501
Total	$ 5,715,028	$ 4,060,768

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

Year Ending June 30	Amount
2017	$ (616,131)
2018	(616,131)
2019	(616,131)
2020	407,132
2021	(198,195)
Thereafter	0

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

Discretely Presented Jefferson County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Jefferson County, non-certified employees of the discretely presented Jefferson County School Department, and the discretely presented Jefferson County Nursing Home are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 51.86 percent, the non-certified employees of the discretely presented School

Department comprise 28.8 percent, and the discretely presented nursing home comprise 19.34 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

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

than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were $66,836, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2016, the Jefferson County School Department reported an asset of $20,198 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Jefferson County School Department's proportion of the net pension asset was based on the Jefferson County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Jefferson County School Department's proportion was .502068 percent.

Pension Expense. For the year ended June 30, 2016, the Jefferson County School Department recognized pension expense of $26,470.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 6,574
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,633	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	66,836	N/A
Total	$ 68,469	$ 6,574

The Jefferson County School Department's employer contributions of $66,836, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease (increase) of net pension liability (asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	$ (140)
2018	(140)
2019	(140)
2020	(140)
2021	(548)
Thereafter	(3,835)

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

Actuarial Assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 3,582	$ (20,198)	$ (37,638)

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

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Jefferson County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were $2,191,150, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liability (Assets). At June 30, 2016, the Jefferson County School Department reported a liability of $268,896 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Jefferson County School Department's proportion of the net pension liability (asset) was based on the Jefferson County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Jefferson County School Department's proportion was .656431 percent. The proportion measured at June 30, 2014, was .646459 percent

Negative Pension Expense. For the year ended June 30, 2016, the Jefferson County School Department recognized negative pension expense of $193,855.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 215,801	$ 4,185,413
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,855,428	6,591,508
Changes in Proportion of Net Pension Liability (Asset)	165,806	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	2,191,150	N/A
Total	$ 7,428,185	$ 10,776,921

The Jefferson County School Department's employer contributions of $2,191,150 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease (increase) in net pension liability (asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	$ (1,744,073)
2018	(1,744,073)
2019	(1,744,073)
2020	453,096
2021	(760,761)
Thereafter	0

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

Actuarial Assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 18,332,454	$ 268,896	$ (14,685,599)

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

2. **Deferred Compensation**

Jefferson County offers its employees an option deferred compensation plan established pursuant to IRC Section 457. The discretely presented Jefferson County School Department offers its employees an optional deferred compensation plan established pursuant to IRC Section 403(b). All costs of administering and funding these programs are the responsibility of plan participants. The Section 457 and Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 457 and 403(b) establish participation, contribution, and withdrawal provisions for the plans.

Teachers hired after July 1, 2014, by the discretely presented Jefferson County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Jefferson County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Jefferson County School Department contributed $82,790 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

J. **Other Postemployment Benefits (OPEB)**

Plan Description

Jefferson County and the School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans.

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2016, Jefferson County contributed $18,163 for postemployment health care, and the Jefferson County School Department recognized contributions totaling $821,974 for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	$ 2,063,000	$ 128,000
Interest on the NOPEBO	366,520	24,724
Adjustment to the ARC	(367,992)	(24,824)
Annual OPEB cost	$ 2,061,528	$ 127,900
Amount of contribution	(821,974)	(18,163)
Increase/decrease in NOPEBO	$ 1,239,554	$ 109,737
Net OPEB obligation, 7-1-15	9,773,855	659,317
Net OPEB obligation, 6-30-16	$ 11,013,409	$ 769,054

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-14	Local Education Group	$ 1,890,817	46 %	$ 8,617,300
6-30-15	"	1,959,879	41	9,773,855
6-30-16	"	2,061,528	40	11,013,409
6-30-14	Local Government Group	68,586	15	627,634
6-30-15	"	71,646	56	659,317
6-30-16	"	127,900	14	769,054

Funded Status and Funding Progress

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

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-15	7-1-15
Actuarial accrued liability (AAL)	$ 17,063,000	$ 973,000
Actuarial value of plan assets	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 17,063,000	$ 973,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	$ 29,614,523	$ 11,068,860
UAAL as a % of covered payroll	57.62%	8.79%

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

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

K. Termination Benefits

The School Department offers an early retirement incentive program in accordance with contract provisions. Prior to March 1, 2013, this plan was available to employees who retired from the school system in the year they reached age 60 or had 30 years of creditable service with the Tennessee Consolidated Retirement System and had a minimum of ten years of employment with the School Department. From March 1, 2013, through February 28, 2016, the plan was available to employees who retired from the school system between the ages of 57 and 62, and had a minimum of ten years employment in the Jefferson County School System. Currently the plan is available to employees who have earned 21 years of verified teaching experience and have a minimum of ten years employment in the Jefferson County School System. Prior to March 1, 2013, the plan gave teachers who met the above requirements an option of receiving $9,500 divided into two equal annual payments or $10,500 divided into three equal annual payments. From March 1, 2013, through February 28, 2016, the plan gave teachers who had met the above requirements $5,000 divided into three equal annual payments for 10-20 years of service in the Jefferson County School System or $10,000 divided into three equal annual payments for 21 or more years of service in the Jefferson County School System. Currently, the plan gives teachers who meet the above requirements $10,000 divided into three equal payments. During the 2015-16 year, 28 employees participated in the program. The financial statements of this report reflect expenditures of $95,090 in the General Purpose School Fund for the retirement incentive payments. A nondiscounted long-term liability of $95,092 is reflected on the government-wide Statement of Net Position for retirement incentives. Of that amount, $55,000 is due within one year.

L. Office of Central Accounting, Budgeting, and Purchasing

Jefferson County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing covering all county departments. This act also provides for the creation of a Finance Department operated under the direction of the finance director.

M. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Jefferson County. All purchase orders are issued by the Finance Department. Purchases exceeding $10,000 for the Office of County Mayor, the discretely presented School Department, and the Office of Road Superintendent are required to be competitively bid.

VI. OTHER NOTES – DISCRETELY PRESENTED JEFFERSON COUNTY NURSING HOME

A. Summary of Significant Accounting Policies

Jefferson County Nursing Home is a political subdivision of Jefferson County, Tennessee. The nursing home provides long-term health care primarily for the citizens of the county. It is governed, operated, and controlled by a five-member board of commissioners who are appointed by the Board of County Commissioners of the county. The county is legally obligated to assume the nursing home's debt in the event of default and is legally obligated to provide financial support, making Jefferson County financially accountable for the nursing home. Therefore, the nursing home is a discrete component unit of Jefferson County for financial reporting purposes.

1. Basis of Presentation

The nursing home utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position.* GASB 62 and 63 were effective for periods beginning after December 15, 2011. GASB 62 makes the *Accounting Standards Codification* the sole source of authoritative accounting technical literature for governmental entities in the United States of America.

2. Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

3. Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as cash on hand or in banks and investments with original maturities at the date of purchase of less than three months, excluding restricted assets.

All of the nursing home's cash and cash equivalents are covered by federal depository insurance or collateralized by securities held by the financial institutions' trust department in the nursing home's name.

4. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The nursing home has a net pension asset of $279,930, as of June 30, 2016, which would be classified as Level 2 under the hierarchy above. The nursing home did not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2016.

Financial Assets

The carrying amount of financial assets, consisting of cash and cash equivalents, patient accounts receivable, prepaid expenses, accounts payable, accrued expenses, and current portions of long-term debt approximate their fair value due to their relatively short maturities. Long-term debt is carried at amortized cost, which approximates fair value.

Nonfinancial Assets

The nursing home's nonfinancial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the nursing home is required to evaluate the nonfinancial instrument for impairment, a resulting asset impairment would require that the nonfinancial asset be recorded at the fair value. During the year ended June 30, 2016, the nursing home did not measure any nonfinancial assets at fair value or recognize any amounts in the Statements of Activities related to changes in fair value for nonfinancial assets.

5. Property and Equipment

Property and equipment acquisitions are recorded at cost. The nursing home capitalizes purchases that cost a minimum of $5,000 and have a useful life greater than two years. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 10-12 years, buildings and improvements 10-40 years, equipment 4-20 years, and transportation equipment 5-7 years.

6. Patient Service Revenue

The nursing home has agreements with third-party payors that provide for payments to the nursing home at amounts different from its established rates. Payment arrangements include prospectively determined per-diem rates per day and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments of approximately $24,000 for the year ended June 30, 2016.

7. Operating Activities

The nursing home defines operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Position as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Nonexchange transactions, including investment income and interest expense, are considered nonoperating revenue and expenses.

8. **Pension Plan**

Nursing home employees are covered under the Tennessee Consolidated Retirement System (TCRS), a defined benefit plan. For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement Plan in TCRS and addition to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan.

9. **Compensated Absences**

The nursing home provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The vacation paid days off begin accruing after one year of service and are based on the following table. Such days may be taken only after the employee has earned them. There is no limit on the number of earned days, which may be carried forward if not taken in the year earned; however, effective January 1, 2018, all earned days must be taken annually, except that an employee may carry forward up to the number of days earned annually, based on years of service. Such liabilities have been accrued in the accompanying Statement of Net Position.

Years of Service	Days Earned Per Year
1 - 9	10
10 - 19	15
20 or more	20

10. **Risk Management**

The nursing home is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters. The nursing home insures for employee health claims through a county plan administered by the State of Tennessee discussed in Note VI.H.

11. **Net Position**

All resources that are not restricted by donors are included in unrestricted net position. Resources temporarily restricted by donors for specific purposes are reported as a restricted component of net position - expendable. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net position and reported in the Statement of Revenues, Expenses, and Changes in Net Position. Resources temporarily restricted by donors for additions to land, buildings, and equipment are initially reported as a restricted component of net position - expendable and are transferred to unrestricted net position when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as a restricted component of net position – unexpendable. Investment income for the restricted component of net position - unexpendable is classified as either a restricted component of net position – expendable or unrestricted based on the intent of the donor. As of June 30, 2016, the nursing home had restricted component of net position – expendable of $669,264, relating to the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pension benefits as well as restricted component of net position – expendable designated for employee scholarships as discussed in VI.B. As of June 30, 2016, there were no restricted components of net position - unexpendable.

The nursing home first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

12. **Income Taxes**

The nursing home as a political subdivision of the county is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

13. **Long-lived Assets**

Management evaluates the recoverability of its investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

14. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets

and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. Performance Indicator

Excess of revenue over (under) expenses reflected in the accompanying Statement of Revenues, Expenses, and Changes in Net Position is a performance indicator.

16. Adoption of New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This standard is effective for fiscal years beginning after June 15, 2015. Therefore, the nursing home adopted this standard at the beginning of fiscal year 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68.* This statement is applicable to the nursing home with regard to clarification of certain provisions of Statement No. 68 including information that is required to be presented as notes to the ten-year schedules of required supplementary information. The requirements of this standard that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Therefore, the nursing home adopted this standard at the beginning of fiscal year 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which amended Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and local Governments. This statement reduces the hierarchy of generally accepted accounting principles ("GAAP") to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for fiscal years beginning after June 15, 2015, and should be applied retroactively. Therefore, the nursing home adopted this standard at the beginning of fiscal year 2016.

The adoption of these accounting standards did not have a material impact on the nursing home's financial statements.

17. **New Accounting Pronouncements**

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this statement is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This standard is effective for fiscal years beginning after June 15, 2016. Therefore, the nursing home expects to adopt this standard at the beginning of fiscal year 2017. The nursing home is currently assessing the impact of adopting this accounting standard.

B. **Restricted Assets**

Cash in the employee scholarship fund is available to provide scholarships to qualifying employees. Certain donations received are designated to be used for higher education of employees. Deposits to the fund come from private donations and monthly interest earned. The only withdrawals made are to award $2,000 scholarships to qualifying employees. Scholarships awarded are subject to board approval. No employee received a scholarship during the year ended June 30, 2016.

C. **Third-party Reimbursement Programs**

The nursing home receives revenue under various third-party reimbursement programs, which include Medicare, Medicaid, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the nursing home's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. There were no adjustments to revenue resulting from tentative or final settlements to estimated reimbursement amounts for the year ended June 30, 2016.

1. **Medicare**

The nursing home is paid for substantially all services rendered to Medicare program beneficiaries for skilled nursing care under prospectively determined case-mix rates. Those rates vary according to a classification system that is based on a medical assessment of the rehabilitation needed, extent of services needed, and other factors. The patient is often responsible for a portion of the fee. For the patient

portion of fees not collected after normal collection efforts with the filing of an annual cost report, the nursing home was reimbursed 65 percent for such uncollected fees for the period of April 1, 2015 through March 31, 2016; and expects to be reimbursed 65% after March 31, 2016.

2. **Medicaid/TennCare**

The Medicaid/TennCare program reimburses the nursing home for the cost of skilled nursing or routine care services rendered to Medicaid/TennCare beneficiaries at a prospective rate, which is based on the lower of the reimbursable cost of services rendered or a reimbursement cap set by Medicaid/TennCare for each level of service. The reimbursement cap is expressed as a per diem. Beginning in 2015, the nursing home also received additional payments from the state related to acuity (average facility case mix index scores) and quality scores which totaled $488,447 during 2016.

3. **Commercial Payors**

The nursing home has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the nursing home under these agreements includes prospectively determined rates per day and discounts from established rates.

4. **Credit Concentrations**

The nursing home grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies. At June 30, 2016, the nursing home had net receivables from the federal government (Medicare) of approximately $356,000 and from Medicaid of approximately $189,000. Medicare comprised 31 percent and Medicaid comprised 43 percent of net patient service revenue for the year ended June 30, 2016.

D. Inventories

A summary of inventories as of June 30, 2016, was as follows:

Food	$ 12,974
Medical Supplies	12,264
Housekeeping Supplies	2,477
Maintenance Supplies	3,849
Total	$ 31,564

E. Property and Equipment

The net investment in capital assets as of June 30, 2016, is as follows:

Property and Equipment, Net	$ 7,392,471
Current Portion of Long-term Debt	(250,000)
Long-term Debt, Excluding Current Portion	(6,660,000)
Total	$ 482,471

The major classifications and changes in property and equipment as of and for the year ended June 30, 2016, are as follows:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Land	$ 7,181	$ 0	$ 0	$ 7,181
Land Improvements	240,872	0	0	240,872
Building and Improvements	9,843,508	0	0	9,843,508
Machinery and Equipment	2,181,811	0	0	2,181,811
Transportation Equipment	100,166	0	0	100,166
Total	$ 12,373,538	$ 0	$ 0	$ 12,373,538
Less Allowance for Depreciation and Amortization:				
Land Improvements	$ (96,547)	$ (14,582)	$ 0	$ (111,129)
Buildings and Improvements	(3,057,369)	(224,312)	0	(3,281,681)
Machinery and Equipment	(1,377,858)	(115,054)	0	(1,492,912)
Transportation Equipment	(84,062)	(11,283)	0	(95,345)
Total	$ (4,615,836)	$ (365,231)	$ 0	$ (4,981,067)
Total	$ 7,757,702	$ (365,231)	$ 0	$ 7,392,471

F. Due to Primary Government

A schedule of changes in the nursing home's long-term debt to the government of Jefferson County, Tennessee, related to bond issues as of and

for the year ended June 30, 2016, is as follows:

	Balance 7-1-15	Additions	Reductions	Balance 6-30-16	Amounts Due Within One Year
General Obligation Bonds - 2007	$ 4,345,000	$ 0	$ (4,345,000)	$ 0	$ 0
General Obligation Refunding Bonds - 2014	2,730,000	0	(35,000)	0 2,695,000	0 35,000
General Obligation Refunding Bonds - 2016	0	4,215,000	0	4,215,000	215,000
Total	$ 7,075,000	$ 4,215,000	$ (4,380,000)	$ 6,910,000	$ 250,000

Jefferson County issued $8,000,000 in General Obligation Bonds, Series 2007, dated December 21, 2007, to fund a 25-bed addition to the nursing home. The bonds are direct general obligations of Jefferson County payable from ad valorem taxes levied upon all taxable property within Jefferson County without limitation as to rate or amount. The full faith and credit of Jefferson County is irrevocably pledged to pay principal, redemption premiums, if any, and interest on the bonds. However, because the debt was incurred specifically for the addition to the nursing home and the nursing home has a legal obligation to pay the debt in full, the bond transactions are reported on the nursing home's financial statements as obligations to the county.

The Series 2007 coupon rates range from four percent to 4.4 percent with interest payable in semi-annual payments on June 1 and December 1 and remaining annual principal installments ranging from $180,000 to $480,000 each June 1. The series 2007 was paid in full in June 2016.

Jefferson County issued $4,285,000 General Obligation Refunding Bonds, Series 2014, dated May 15, 2014 to be used to call certain bond issuances outstanding by the county. The Series 2014 is also a direct general obligation of the county with a similar pledge as the 2007 Series. $2,540,000 of the Series 2014 proceeds was assigned to be used to call a portion of the Series 2007 obligation on June 1, 2016. The $2,540,000 was held in the name of the county in an escrow account; therefore, the $2,540,000 transaction was reflected as a pre-funded debt retirement (non-cash activity) by the nursing home to the county towards the Series 2007 obligation and reduced the remaining obligation to the county for the Series 2007 accordingly. $220,000 of the Series 2014 proceeds was used to finance the payment of interest on the $2,540,000 portion of the Series 2007 debt through the June 1, 2016, call date. As of June 30, 2015, the remaining $105,700 is also held in an escrow account in the name of the county. The $105,700 was expensed as interest by the nursing home when the county used the funds to pay the bond holders under Series 2007. The nursing home recorded an initial liability to the county of $2,760,000 related to the Series 2014 bond issue comprised of the

$2,540,000 and $220,000 amounts discussed above. The balance was reduced to $2,695,000 as of June 30, 2016 after a $35,000 payment of principal during the year ended June 30, 2016. The remaining $1,525,000 of proceeds from Series 2014 relates to county uses other than the nursing home.

The Series 2014 coupon rates range from two percent to 2.75 percent with interest payable in semi-annual payments on June 1 and December 1 and annual principal installments ranging from $30,000 to $295,000 each June 1. The final principal installment is due June 1, 2027.

Jefferson County, Tennessee, issued $4,215,000 General Obligation Refunding Bonds, Series 2016 dated May 13, 2016 to be used to call certain bond issuances outstanding by the county. The Series 2016 is also a direct general obligation of the county with a similar pledge as the 2014 Series. The proceeds were used to call the remainder of the Series 2007 obligation on June 1, 2016.

The Series 2016 coupon rates range from 2.0% to 2.75% with interest payable in semi-annual payments on June 1 and December 1 and annual principal installments ranging from $15,000 to $430,000 each June 1. The final principal installment is due June 1, 2037.

A summary of future maturities and interest of long-term debt due to the county related to Series 2014 and Series 2016 bond obligations as of June 30, 2016, is as follows:

Fiscal Year Ending June 30	Series 2016 Principal	Series 2014 Principal	Estimated Interest	Total Payments
2017	$ 215,000	$ 35,000	$ 170,000	$ 420,000
2018	15,000	240,000	160,000	415,000
2019	15,000	245,000	155,000	415,000
2020	15,000	250,000	150,000	415,000
2021	15,000	255,000	145,000	415,000
2022-2026	100,000	1,375,000	630,000	2,105,000
2027-2031	1,430,000	295,000	440,000	2,165,000
2032-2036	1,980,000	0	223,000	2,203,000
2037	430,000	0	12,000	442,000
Total	$ 4,215,000	$ 2,695,000	$ 2,085,000	$ 8,995,000

G. Pension Plan

1. General information about the pension plan

Plan Description

Employees of the nursing home, as a component unit of Jefferson County, are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA),* Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of the state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

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

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent.

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees do not make contributions to their account; instead the component units of Jefferson County make employer contributions at the contribution rate set by the Board of Trustees as determined by actuarial valuation. For the year ended June 30, 2016, employer contributions for the nursing home were $560,551 based on a rate of 15.63% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Jefferson County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

2. **Net Pension Asset**

At June 30, 2016, the nursing home reported an asset of $279,930 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of the measurement dates. As of June 30, 2015, the nursing home's proportion of the net pension asset was based on the nursing home's active participants as of June 30, 2014, relative to the active participants of all component units of Jefferson County as of June 30, 2014. At the June 30, 2014, measurement date, the nursing home's proportion was 16.97 percent. As of June 30, 2016, the nursing home's proportion of the net pension asset was based on the nursing home's contributions to the pension plan relative to the contributions of all component units of Jefferson County as of June 30, 2015. At the June 30, 2015, measurement date, the nursing home's proportion was 19.34 percent.

Actuarial Assumptions

The total pension asset as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded Salary Ranges from 8.97 to 3.71 Percent Based on Age, Including Inflation, Averaging 4.25 Percent
Investment Rate of Return	7.5 Percent, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5 Percent

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

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

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

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity	6.46 %	33 %
Developed Market International Equity	6.26	17
Emerging Market International Equity	6.40	5
Private Equity and Strategic Lending	4.61	8
U.S. Fixed Income	.98	29
Real Estate	4.73	7
Short-term Securities	0.00	1
Total		100 %

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

Discount Rate

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, June 30, 2015	$ 10,926,468	$ 11,210,040	$ (283,572)
Changes for the Year:			
Service Cost	$ 312,265	$ 0	$ 312,265
Interest	936,848	0	936,848
Differences Between Expected and Actual Experience	(229,986)	0	(229,986)
Contributions - Employer	0	560,551	(560,551)
Net Investment Income	0	394,752	(394,752)
Benefit Payments, Including Refunds of Employee Contributions	(546,794)	(546,794)	0
Administrative Expense	0	(7,202)	7,202
Other Changes	0	66,844	(66,844)
Net Changes	$ 472,333	$ 468,151	$ 4,182
Balance, June 30, 2016	$ 11,398,801	$ 11,678,191	$ (279,390)

Sensitivity of the Nursing Home's Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the nursing home's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the nursing home's proportionate share of the net position liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Nursing Home's Proportionate Share of the Net Position Liability (Asset)	$ 1,222,408	$ (279,390)	$ (1,529,109)

Pension Plan Fiduciary Net Position

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

3. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2016, the nursing home recognized pension expense of $176,212.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, the nursing home reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 15,328	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	484,990	671,535
Nursing Home's Contributions Subsequent to the Measurement Date of June 30, 2015	560,551	0
Total	$ 1,060,869	$ 671,535

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2015," will be recognized as an increase to net pension asset in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	$ (119,160)
2018	(119,160)
2019	(119,160)
2020	77,579
2021	(38,331)

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

4. **Payable to the Pension Plan**

The nursing home reported a payable of $69,164 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

H. Commitments and Contingencies

The nursing home leases various equipment under short-term operating lease agreements. Rent expense totaled $4,820 in 2016.

Health Care Industry

The delivery of personal and health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The nursing home maintains commercial insurance on an occurrence basis for medical malpractice liabilities. Insurance coverages are $1,000,000 individually and $3,000,000 in the aggregate annually. The State of Tennessee maintains litigation settlement limitations for governmental entities, which are less than the nursing home's insurance coverages. Management intends to maintain insurance coverages in the future. The nursing home could be involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any future potential losses on asserted claims. Management is unaware of any incidents, which would ultimately result in a loss in excess of the nursing home's insurance coverages. The nursing home also maintains insurance for general liability, director and officer liability, and property.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement

for patient services, and Medicare and Medicaid/TennCare fraud and abuse. Recently government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes the nursing home is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Management continues to implement policies, procedures, and compliance overview of organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The nursing home's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) have implemented a Recovery Audit Contractors (RAC) program. The purpose of the program is to reduce improper Medicare and Medicaid/TennCare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits, and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare and Medicaid/TennCare billings are proper and adequate support is maintained, certain aspects of Medicare and Medicaid/TennCare billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to the RAC audit at this time.

Health Care Reform

In March 2010, the Patient Protection and Affordable Care Act was signed into law, along with the Health Care and Education Reconciliation Act of 2010 (collectively, the Affordable Care Act). The passage of the Affordable Care Act has resulted in comprehensive reform legislation that expanded health care coverage to millions of currently uninsured people beginning in 2014 and provides for significant changes to the U.S. health care system over the next ten years. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various health care providers, as well as certain other changes in Medicare payment methodologies. This comprehensive health care legislation provides for extensive future rulemaking by regulatory authorities, and also may be altered or amended.

Due to the complexity of the Affordable Care Act's laws, lack of current implementation regulations and interpretive guidance, and response by CMS and other participants in the health care industry to the choices available

under the law, it is difficult for the nursing home to predict the full impact of the law on the nursing home's operations. Additionally, pending legislative proposals, which may be adopted, may affect the nursing home. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act may materially impact the nursing home through increased costs, decreased revenues, and additional exposure to potential liability.

I. Functional Expenses

The following is a summary of management's functional classification of operating expenses:

	2016
Healthcare Services	$ 9,767,242
General and Administrative	2,029,989
Total	$ 11,797,231

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