<u>NEW ISSUE</u>
Book-Entry-Only

PRELIMINARY OFFICIAL STATEMENT

$9,000,000*

MCNAIRY COUNTY, TENNESSEE

General Obligation Bonds, Series 2019

OFFERED FOR SALE NOT SOONER THAN

Wednesday, May 8, 2019 at 10:15 a.m., E.D.T. / 9:15 a.m. C.D.T.
Through the Facilities of ***PARITY***®

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

Cumberland Securities Company, Inc.
Municipal Advisor

April 29, 2019

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NEW ISSUE
Book-Entry-Only

Rating: S&P – "A"
(See "MISCELLANEOUS-Rating")

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 29, 2019

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 in calculating the alternative minimum tax. 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.)

$9,000,000*

MCNAIRY COUNTY, TENNESSEE

General Obligation Bonds, Series 2019

Dated: Date of delivery (Assume May 30, 2019). Due: June 1 (as shown below)

The $9,000,000* General Obligation Bonds, Series 2019 (the "Bonds") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2019 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. The Bonds are additional payable from, but not secured by, revenue available from the Highway Department. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing on or after June 1, 2027 are subject to optional redemption prior to maturity on or after June 1, 2026 as described herein.

Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**	Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**
2020	$ 485,000				2028	$ 615,000			
2021	500,000				2029	630,000			
2022	515,000				2030	650,000			
2023	530,000				2031	670,000			
2024	545,000				2032	690,000			
2025	560,000				2033	710,000			
2026	575,000				2034	730,000			
2027	595,000								

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 Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the County by Deusner & Kennedy, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of DTC New York, New York, on or about May __, 2019.

Cumberland Securities Company, Inc.
Municipal Advisor

May __, 2019

* 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 Municipal 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 Municipal 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 Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

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

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

MCNAIRY COUNTY, TENNESSEE

COUNTY OFFICIALS

Larry Smith	*County Mayor*
Ronnie Price	*County Clerk*
Stanley Mitchell	*County Trustee*
Craig Kennedy	*County Attorney*
Brandon Moore	*Assessor of Property*

BOARD OF COUNTY COMMISSIONERS

Richard Ashe
Kerry Brown
Anthony Carr
Pamela Carroll
Brenda Cauley
Sybil Dancer
Candice Garrison
Aubry Harris
Jimmy Hollingsworth
Phillip Hollingsworth
Brad Hunt
Keith Jernigan
Michelle Kientz
Doug Knight
Jeff Lipford
Terry McCormick
David McCullar
Jackie Pickle
Ryan Sisk
Jimmy Ray
Jay Weatherford

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Glankler Brown, PLLC
Memphis, Tennessee

MUNICIPAL 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	McNairy County, Tennessee (the "County" or "Issuer"). See the section entitled "Supplemental Information Statement" for more information.
Securities Offered	$9,000,000* General Obligation Bonds, Series 2019 (the "Bonds") of the County, dated the date of delivery (estimated to be May 30, 2019). The Bonds will mature each June 1 beginning June 1, 2020 through June 1, 2034, inclusive. See the section herein entitled "SECURITIES OFFERED – Authority and Purpose".
Security	The Bonds shall be payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. The Bonds are additional payable from, but not secured by, revenues available from the Highway Department.
Purpose	The Bonds are being issued for the purposes of providing funds to finance in whole or in part: (i) making capital expenditures in connection with public works projects as described in Section 9-21-105 of the Tennessee Code Annotated, as amended, including but not limited to, capital expenditures for the construction, improvements, paving, renovations, repairs of roads for the purpose of paving and/or repaving the roads (collectively the "Project"); and (ii) the payment of legal, fiscal, administrative, architectural and engineering costs incident to the issuance and sale of the bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2026, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)
Bank Qualification	The Bonds will be treated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.
Rating	S&P: "A". See the section entitled "MISCELLANEOUS - Rating" for more information.
Underwriter	________________________________, __________, ______________.
Municipal Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS-Municipal Advisor; Related Parties; Other", herein.
Bond Counsel	Glankler Brown, PLLC, Memphis, Tennessee.

* Preliminary, subject to change.

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

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

General .... The Bonds are being issued in full compliance with applicable provisions of Title 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 ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID") established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled "MISCELLANEOUS - Continuing Disclosure" for additional information.

Other Information........................ The information in the *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 omission of certain pricing and other information allowed to be omitted pursuant to Rule 15c2-12. For more information concerning the County or this *Preliminary Official Statement* contact Mr. Larry Smith, County Mayor, 170 West Court Ave., Suite 201, Selmer, Tennessee 38375, Telephone: (731) 645-3472, or the County's Municipal 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

	2014	2015	2016	2017	2018
Beginning Fund Balance	$ 1,113,748	$1,182,817	$1,059,377	$ 864,854	$1,040,144
Revenues	5,801,773	6,089,878	5,862,915	6,829,878	6,981,646
Expenditures	5,734,273	7,770,697	6,083,839	6,650,763	7,728,787
Other Financing Sources:					
Other Loans or Leases Issued	-	1,500,000	-	-	372,366
Insurance Recovery	1,569	5,214	8,884	6,175	53,591
Transfers In	-	52,165	27,517	-	-
Transfers Out	-	-	(10,000)	(10,000)	-
Ending Fund Balance	**$1,182,817**	**$1,059,377**	**$864,854**	**$1,040,144**	**$ 718,960**

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

SUMMARY NOTICE OF SALE

$9,000,000†

MCNAIRY COUNTY, TENNESSEE

General Obligation Bonds, Series 2019

NOTICE IS HEREBY GIVEN that the County Mayor of McNairy County, Tennessee (the "County" or "Issuer") will receive electronic or written bids for the purchase of all, but not less than all, of the County's $9,000,000* General Obligation Bonds, Series 2019 (the "Bonds") by the County's Municipal Advisor, Cumberland Securities Company Inc., via facsimile at 865-988-1863, until **10:15 a.m. E.D.T. / 9:15 a.m. C.D.T.** on **Wednesday, May 8, 2019**. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY***® System not later than 9:00 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 their date of issuance and delivery (assume May 30, 2019) and will mature on June 1, 2020 through June 1, 2034, inclusive with term bonds optional, and will be subject to optional redemption prior to maturity on or after June 1, 2026. Bidders must bid not less than ninety-nine percent and one-quarter (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the County Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the County will require bidders to comply with the "hold-the-offering-price rule" or the "10% Test" for purposes of determining the issue price of 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 Larry Smith, County Mayor, 170West Court Ave., Suite 201, Selmer, TN 38375, (731) 645-3472 or from the County's Municipal Advisor, Cumberland Securities Company, Inc., P.O. Box 22715, Knoxville, Tennessee 37933, (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/ Larry Smith
County Mayor

† Preliminary subject to change.

DETAILED NOTICE OF SALE

$9,000,000‡
MCNAIRY COUNTY, TENNESSEE
General Obligation Bonds, Series 2019

NOTICE IS HEREBY GIVEN that electronic or written bids will be received by the County Mayor of McNairy County, Tennessee (the "County" or "Issuer"), all or none, until 10:15 a.m. E.D.T. / 9:15 a.m. C.D.T. on **Wednesday, May 8, 2019**. (or at such later time and date announced at least forty-eight hours in advance via Bloomberg News Service or the ***PARITY***® system) for the purchase of $9,000,000* General Obligation Bonds, Series 2019 (the "Bonds"). Electronic bids must be submitted through ***PARITY***® as described in this "Detailed Notice of Sale." In case of written bids, bids will be received by the County's Municipal 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 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 9:00 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the ***PARITY***® System.

Description of the Bonds. The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in $5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2019.

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

Year	Amount*	Year	Amount*
2020	$ 485,000	2028	$ 615,000
2021	500,000	2029	630,000
2022	515,000	2030	650,000
2023	530,000	2031	670,000
2024	545,000	2032	690,000
2025	560,000	2033	710,000
2026	575,000	2034	730,000
2027	595,000		

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 or more fully-registered bond certificates will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount of $5,000 for the Bonds and any integral multiple of $5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to

‡ Preliminary, subject to change.

deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-entry 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 County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. The Bonds are additional payable from, but not secured by, revenue available from the Highway Department.

Purpose. The Bonds are being issued for the purposes of providing funds to finance in whole or in part: (i) making capital expenditures in connection with public works projects as described in Section 9-21-105 of the Tennessee Code Annotated, as amended, including but not limited to, capital expenditures for the construction, improvements, paving, renovations, repairs of roads for the purpose of paving and/or repaving the roads (collectively the "Project"); and (ii) the payment of legal, fiscal, administrative, architectural and engineering costs incident to the issuance and sale of the bonds.

Optional Redemption. The Bonds maturing on and after June 1, 2027 will be subject to optional redemption prior to maturity at the option of the County, in whole or in part at any time on and after June 1, 2026 at the redemption price of par plus accrued interest as provided herein.

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

Bidding Instructions. The County will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par.

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 bid prior to the established date and time by FACSIMILE transmission sent to the County's Municipal 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 Municipal 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 Municipal Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

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

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

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

<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. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to 25% of the par amount of the Bonds offered for sale. The primary factor to be considered in connection with any adjustment is the amount of premium bid by the winning bidder. Among other factors the County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the amount of premium bid and size of individual maturities or sinking fund installments and/or other preferences of the County. Additionally, the County Mayor reserves the right to change the dated date of the Bonds. The maximum adjustment will only be needed if the maximum bid is received.

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

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

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Municipal Advisor (wire transfer or certified check) the amount of up to 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 Municipal Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

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

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

Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the County in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the County within 24 hours after award, furnish the following information to the County to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the County that the Bonds were initially offered to the public).

B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
C. Any other material information that the County determines is necessary to complete the Detailed Statement in final form.

After the award of the Bonds, the County will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the County will not include in the final Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the County in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The County expects the successful bidder to deliver copies of such Official Statement in final form (the "Final Official Statement") to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board ("MSRB") via the MSRB's Electronic Municipal Market Access System ("EMMA"). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB, to acknowledge that the County expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Issue Price Certificate

a. The successful bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County, on or prior to the date of issuance and delivery of the Bonds (the "Closing Date"), an "issue price" or similar certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A or Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and Glankler Brown, PLLC ("Bond Counsel"). All actions to be taken by the County under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the County by the Municipal Advisor and any notice or report to be provided to the County may be provided to the Municipal Advisor.

b. The County intends 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:

   1. the County shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

   2. all bidders shall have an equal opportunity to bid;

   3. the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;

   4. 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 Detailed Notice of Bond Sale; and

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

c. In the event that the Competitive Sale Requirements are not satisfied, the County shall so advise the successful bidder. The County may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% Test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "Hold-the-Offering-Price Rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The County shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that the County determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

d. By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the

"Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) business day after the sale date; or

2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

The successful bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

e. If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

f. The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

g. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement , as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

h. Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:

    1. "public" means any person other than an underwriter or a related party;

    2. "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) 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);

    3. a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

    4. "sale date" means the date that the Bonds are awarded by the County to the successful bidder.

<u>Issue Price Certificate.</u> 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 <u>Exhibit A</u> if the Hold-the-Offering-Price Rule does not apply, and a form of the issue price certificate is attached to the Detailed Notice of Sale as <u>Exhibit B</u> if such Rule does apply.

<u>Legal Opinion</u>. The unqualified approving opinion of Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the County. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax imposed on individuals. 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.

<u>Continuing Disclosure</u>. 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 and operating data 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 ("MSRB") 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 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 each series of Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given the successful bidder. Delivery will be made in book-entry form through the facilities of the Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds. Delivery is currently expected on or about 2019.

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

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Municipal Advisor, Cumberland Securities Company, Inc., P.O. Box 22715, 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/ Larry Smith, County Mayor

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EXHIBIT A

MCNAIRY COUNTY, TENNESSEE
$_________ General Obligation Bonds, Series 2019

ISSUE PRICE CERTIFICATE
(for Competitive Sales, to be modified if Hold the Offering Price Rule applies)

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

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 [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF 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) *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.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 8, 2019.

(d) *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 [SHORT NAME OF 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 with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Glanker Brown PLLC 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: ______________________

[NAME OF UNDERWRITER]

By: ________________________________

Name: ______________________________

Title: _______________________________

EXHIBIT B

MCNAIRY COUNTY, TENNESSEE
$_________ General Obligation Bonds, Series 2019

ISSUE PRICE CERTIFICATE
(if Hold-the-Offering-Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]") [and the other members of the underwriting syndicate (together, the "Underwriting Group")], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") of the McNairy County, Tennessee (the "Issuer").

1. ***Initial Offering Price of the Hold-the-Offering-Price Maturities***.

(a) [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the [Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. ***Defined Terms***.

(a) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(b) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriting Group] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(c) *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.

(d) *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.

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ____, 2019.

(f) *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 [SHORT NAME OF 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 with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Glankler Brown PLLC 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:____________________

[NAME OF UNDERWRITER]

By:___________________________________

Name: ________________________________

Title: _________________________________

BID FORM

Honorable Larry Smith, County Mayor
170 West Court Ave., Suite 201
Selmer, TN 38375

May 8, 2019

Dear Mr. Smith:

For your legally issued, properly executed $9,000,000[§] General Obligation Bonds, Series 2019 (the "Bonds") of McNairy County, Tennessee (the "County") in all respects as more fully outlined in your Notices of Sale which by reference are made a part hereof, we will pay you a sum of ________________________.

The Bonds shall be dated the date of delivery (assume May 30, 2019) 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:

Year	Amount*	Rate	Year	Amount*	Rate
2020	$ 485,000	______%	2029	$ 615,000	______%
2021	500,000	______%	2029	630,000	______%
2022	515,000	______%	2030	650,000	______%
2023	530,000	______%	2031	670,000	______%
2024	545,000	______%	2032	690,000	______%
2025	560,000	______%	2033	710,000	______%
2026	575,000	______%	2034	730,000	______%
2027	595,000	______%			______%

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

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

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

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

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
McNairy County, Tennessee, this
8th day of May 2019.

____
Larry Smith, County Mayor

Respectfully submitted,
____
____

Total interest cost from
May 30, 2019 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.

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§ Preliminary, subject to change.

$9,000,000*
MCNAIRY COUNTY, TENNESSEE
General Obligation Bonds, Series 2019

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by McNairy County, Tennessee (the "County" or "Issuer") of $9,000,000* General Obligation Bonds, Series 2019 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the "Resolution") duly adopted by the County Commission of the County on April 8, 2019.

The Bonds are being issued for the purposes of providing funds to finance in whole or in part: (i) the construction, improvements, paving, renovations, repairs of roads for the purpose of paving and/or repaving the roads; and (ii) the payment of legal, fiscal, administrative, architectural and engineering costs incident to the issuance and sale of the bonds.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from their date of issuance and delivery (assume May 30, 2019). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2019. The Bonds are issuable in book-entry-only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. The Bonds are additional payable from, but not secured by revenue available from the Highway Department. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

* Preliminary, subject to change.

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

The Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026 in whole or in art at any time at a redemption price of par plus accrued interest.

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

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

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

MANDATORY REDEMPTION

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 within a maturity price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

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

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 effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all 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 Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected 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 S&P Global 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 MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of 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 Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any 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

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

(b) the remainder of the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund to be known as the 2019 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the County. The County shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Project. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by the Resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be paid to the County Trustee and shall be used to pay principal of and interest on the Bonds. Moneys in the Construction Fund shall be invested at the direction of the County Trustee in such investments as shall be permitted by applicable law.

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DISCHARGE AND SATISFACTION OF BONDS

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

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

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

(c) By delivering such Bonds to the Registration Agent for cancellation by it;

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

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

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the

County, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"),
- is not treated as an item of tax preference in calculating the alternative minimum tax imposed.

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 below "CHANGES IN FEDERAL AND STATE LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the 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.

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CLOSING CERTIFICATES

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") has given the Bonds the rating of "A".

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

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

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on May 8, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 29, 2019.

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

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt at this time. However, the County has ongoing projects that could require additional debt in the future.

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, 2019 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12"). The District is in compliance with the undertakings required under the Rule.

Five-Year History of Filing. 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. If any such omission occurred, the County does not believe any such omission would 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-6;

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-7 and B-8;

3. Information about the Bonded Debt Service Requirements as of the end of such fiscal year as shown on page B-9;

4. The fund balances, net assets and retained earnings for the fiscal year as shown on page B-10;

5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-11;

6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-17;

7. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-17; and

8. The ten largest taxpayers as shown on page B-18.

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

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

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

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

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders, if material;

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

   i. Defeasances;

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

   k. Rating changes;

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

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

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

o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the County if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the County, any of which reflect financial difficulties.

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

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

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

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

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

The County has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12(b) of the U.S. Securities and Exchange Commission except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF ISSUER

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

/s/ ______________________________
County Mayor

ATTEST:

/s/ ______________________________
County Clerk

APPENDIX A

LEGAL OPINION

[LETTERHEAD OF GLANKLER BROWN, PLLC]

(Date of Closing)

Board of County Commissioners
of McNairy County, Tennessee
170 West Court Avenue, Suite 201
Selmer, Tennessee 38375

Re: $_________ General Obligation Bonds, Series 2019 of McNairy County, Tennessee

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by McNairy County, Tennessee (the "County"), of $__________ aggregate principal amount of its General Obligation Bonds, Series 2019 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

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

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Tennessee and constitute the valid and binding general obligations of the County for the payment of which the County has irrevocably pledged its full faith and credit. The Bonds are payable as to both principal and interest from ad valorem taxes to be levied, as necessary, upon all taxable property within the County without limitation as to rate or amount. The Bonds are additionally payable from, but not secured by, revenue available from the County's highway department.

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. Except as set forth in this Paragraph 2 and in Paragraph 4 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

Very truly yours,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

McNairy County (the "County") is located in the southwestern part of Tennessee on the Mississippi-Tennessee state line. The County is bordered by Hardeman County to the west, Chester County to the north, Hardin County to the east and the Mississippi state line to the south. The Town of Selmer (the "Town"), the County seat, is 100 miles east of Memphis, 48 miles south of Jackson and 15 miles from Corinth, Mississippi. According to the 2010 Census, the County has a population of about 26,075 and Selmer has a population of 4,396.

GENERAL

McNairy County, which includes 569 square miles, is predominately agricultural with farms comprising approximately 41 percent of its land area. The principal crops grown in the county include cotton, corn, oats, hay and apples. Livestock sales and milk production make significant contributions to farm incomes.

TRANSPORTATION

Rail service is provided by the West Tennessee Railway. The principal highways in the County are US Highways 45 and 64 and State Highways 22, 57 and 142. Interstate 40 is located 40 miles away in Madison County. The nearest navigable waterway is located 20 miles away at the TomBigBee port on the Tennessee River. The community air service is provided by the Robert Sibley Field Airport, located in Selmer, has an asphalt runway 5,000 feet in length. The nearest commercial airport, the McKellar-Sipes Regional Airport, is located in Jackson, 48 miles away.

EDUCATION

The *McNairy County School System* includes eight schools, of which there are five elementary school, one middle school and two high schools with one adult education facility. The fall 2017 enrollment was 4,120 with 297 teachers.
Source: Tennessee Department of Education.

University of Tennessee at Martin Selmer Campus. The campus at Selmer offers a full two-year rotation plan of general education courses. The University of Tennessee at Martin was founded in 1900 as Hall-Moody Institute. Fall semester 2017 had 6,755 students enrolled for at UT Martin. There are 4 satellite campuses in addition to the main campus in Weakley County: Jackson (Madison County), Parsons (Decatur County), Ripley (Lauderdale County) and Selmer (McNairy County). More than $70 million in capital improvement and renovation projects have been completed at UT Martin.
Source: University of Tennessee at Martin and TN Higher Education Commission.

The *Tennessee College of Applied Technology at Crump.* The Tennessee College of Applied Technology at Crump (the "TCAT-C") is located nearby in Hardin County is part of a statewide system of 26 vocational-technical schools. The TCAT-C 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 TCAT-C serves the southwest region of the state including Hardin, McNairy and Decatur Counties. The TCAT-C began operations in 1965 and is located on an 18-acre tract of land on Highway 64 in Hardin County. Fall 2016 enrollment was 580 students.

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

HEALTHCARE

The County's only hospital, McNairy Regional Hospital, closed in May of 2016 due to the steady decline in admissions. However, the two hospitals in nearby Jackson, TN (about 40 miles away) serve as the region's center for healthcare.

Jackson-Madison Co. General Hospital. Jackson-Madison Co. General Hospital (the "General Hospital) is the flagship of West Tennessee Healthcare. The facility is a 642-bed tertiary care center that is the only tertiary care hospital between Memphis and Nashville. The hospital serves a 17-county area of rural West Tennessee. Approximately 400,000 persons reside within the service area. General Hospital offers the West Tennessee Heart and Vascular Center, Kirkland Cancer Center, West Tennessee Women's Center, West Tennessee Rehabilitation Center, West Tennessee Neuroscience and Spine Center, and Emergency Services. General Hospital offers the only open-heart surgery program in rural West Tennessee. Jackson-Madison County General Hospital is fully accredited by The Joint Commission.

West Tennessee Healthcare North Hospital (the "North Hospital"). Formerly Regional Jackson Hospital, the North Hospital is a 166-bed satellite facility of Jackson-Madison County General Hospital located in Lexington. Critical and special care is available at 662-bed Jackson-Madison County General Hospital located Jackson. In 2018 West Tennessee Healthcare purchased the hospital from Tennova Healthcare, along with two other Tennova hospitals in Dyersburg and Martin, for $67 million.

West Tennessee Healthcare is a not-for-profit organization. Totally self-supporting, without need for local tax support, all revenues generated provide for overhead costs including employee expense, debt service, purchase of technology, renovation, expansion, creation of new services, and, most importantly, maintaining the low-cost structure. West Tennessee Healthcare operates seven hospitals. Approximately 7,000 employees make up West Tennessee Healthcare, the majority of whom staff Jackson-Madison County General Hospital.

Source: Jackson-Madison Co. General Hospital and West Tennessee Healthcare.

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MANUFACTURING AND COMMERCE

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

Company	Product	Employees
Monogram Refrigeration Inc.	Air Conditioning & Heating Equipment	385
McNairy County Schools*	Education	384
Spectrum Lubricants Corp.	Lubricating Oils & Greases	172
United Stainless	Stainless Steel Pipe	145
Ripley Industries	Metal Strainers-Automotive	130
General Electric	Switchgears	125
Jones' Exhaust System	Exhaust Systems	85
SMC Recycling	Scrap Metal Processing	78
Connector Castings	Connectors	70
Sparks Custom Fabrication	Fabricated Metal Products	70
Yachad LLC	Art Supplies	45
Owl Creek Lumber	Wood Shipping Products	35

* Teachers, administrators and staff only

Source: McNairy Regional Alliance, and West Tennessee Industrial Association - 2018.

EMPLOYMENT INFORMATION

The unemployment rate for the County as of January 2019 was 5.8%, representing 8,060 persons employed in a total labor force of 8,560 persons. The chart on the following page shows employment trends from 2013 through year to date 2017.

McNairy County Unemployment

	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**	Annual Average **2017**
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
McNairy County	**11.7%**	**10.6%**	**8.5%**	**7.0%**	**5.6%**
Index vs. National	158	171	160	143	127
Index vs. State	150	161	152	149	151

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

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ECONOMIC DATA

Per Capita Personal Income

	2013	**2014**	**2015**	**2016**	**2017**
National	$44,826	$47,025	$48,940	$49,831	$51,640
Tennessee	$39,549	$40,977	$42,810	$43,932	$45,517
McNairy County	**$28,648**	**$29,329**	**$30,157**	**$31,271**	**$31,901**
Index vs. National	64	62	62	63	62
Index vs. State	72	72	70	71	70

Source: Bureau of Economic Analysis.

Social and Economic Characteristics

	National	**Tennessee**	**McNairy County**
Median Value Owner Occupied Housing	$193,500	$151,700	$87,500
% High School Graduates or Higher Persons 25 Years Old and Older	87.30%	86.50%	80.2%
% Persons with Income Below Poverty Level	12.30%	15.00%	17.1%
Median Household Income	$57,652	$48,708	$34,353

Source: U.S. Census Bureau State & County QuickFacts - 2017.

RECREATION

Big Hill State Park. Big Hill State Park is located in nearby McNairy County about 18 miles south of Selmer. The park encompasses 4,500 acres of magnificent timberland and hardwood bottom land. The flood plain adjacent to both the Tuscumbia River and Cypress Creek contains small oxbow lakes and swamp areas which are desirable habitat for waterfowl, wildlife and fishing. The Observation Tower, 70 feet tall, is a refurbished fire tower that offers a panoramic view of Travis McNatt Lake and Dismal Swamp Civil War Earthworks. The park takes its name from a 35-acre pond created by a barren area used for dirt to help construct a railroad levee across the Cypress and Tuscumbia Bottoms for the Memphis to Charleston Railroad in 1853. Over the years, a great stand of cypress trees has grown in and around the 35-acre pond.

Source: Tennessee State Parks.

Buford Pusser Home and Museum. Buford Pusser led a violent but successful campaign against local crime figures. His unusual methods of law enforcement earned him notoriety. The man became the target of many assassination attempts, one of which took the life of his wife and left him scarred. The man eventually became the subject of three major motion pictures telling about his intriguing life and tragic death. The Buford Pusser Home and Museum, located in Adamsville in McNairy County, is the real home, furnishings, and memorabilia of the late Buford Pusser. Near the Museum is the Buford Pusser Park and playground.

McNairy County Historical Museum. The historic Ritz Theater Building provides the perfect showplace to display items of the county's history. The Museum has a unique layout with a large center gallery that displays various aspects of life in the early McNairy County. There are seven side rooms that offer a different way of viewing the history of the county. There is the School Room, the Civil War Room, the Church Room, the Healing Arts Room, and the Business and Agriculture Rooms.

RECENT DEVELOPMENTS

Monogram Refrigeration. Monogram, a subsidiary of GE Appliances, a Haier company, invested $9.3 million to add two new production lines in 2018 to create 210 jobs to its Selmer facility. The expansion doubled Monogram's headcount at its Selmer plant. Monogram, a leading U.S. manufacturer of household appliances, has operated in McNairy County since 1986 and is among the county's largest employers.

Strata Solar, LLC. Working with TVA and Pickwick Electric Cooperative, Strata Solar is developing the two largest solar energy installations in the TVA region near Selmer. Planned construction, which finished in late 2014, includes building and maintaining two 20-megawatt solar farms. These solar farms will be interconnected to the TVA power system through Pickwick Electric Coop. TVA will buy the electricity at market rates under its renewable standard offer program. The two installations, which will each be four times the size of the University of Tennessee five-megawatt farm in Haywood County, could generate enough electricity in one year to power 4,000 average homes in the Tennessee Valley. The facility was completed was in 2015. The farms will have more than 160,000 solar panels installed on over 300 acres. Strata Solar, based in Chapel Hill, North Carolina, is an integrated solar energy company that owns and operated commercial and utility scale solar energy systems. The solar firm has current projects in California, Massachusetts, Virginia, Georgia and North Carolina. After completion, the farm needs 6-10 employees.

Source: The Jackson Sun Fact Book and The Commercial Appeal.

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McNAIRY COUNTY, TENNESSEE
Summary of Bonded Indebtedness

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2018 (1) OUTSTANDING
$ 325,000	Rural Development Loan, Series 2002 (Adult Education)	June. 2022	Fixed	$ 89,244
217,750	Rural Development Loan, Series 2002 (Ag Extension)	May. 2022	Fixed	60,899
6,535,000	General Obligation Refunding Bonds, Series 2008	June 2019	Fixed	490,000
55,000	Capital Outlay Note, Series 2012 (911)	April 2021	Fixed	18,334
201,560	Capital Outlay Note, Series 2012 (Latta Building)	November 2021	Fixed	89,561
1,500,000	Capital Outlay Note, Series 2015 (County Office)	March 2027	Fixed	1,125,000
340,000	Capital Outlay Note, Series 2017	April 2026	Fixed	302,222
7,750,000	General Obligation School Bonds, Series 2017	June 2046	Fixed	7,000,000
176,382	Lease Agreement, Series 2017	June 2020	Fixed	117,534
15,475,000	General Obligation School Bonds, Series 2018	June 2047	Fixed	15,475,000
1,250,000	General Obligation Capital Outlay Note, Series 2018	June 2030	Fixed	1,250,000
$ 33,825,692	**EXISTING BONDED DEBT**			$ 26,017,794
$ 9,000,000	General Obligation Bonds, Series 2019	June 2047	Fixed	$ 9,000,000
$ 42,825,692	**NET BONDED DEBT**			$ 35,017,794

NOTES:

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

McNAIRY COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following is based upon information derived in part from the CAFR. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Years Ended June 30					After Issuance
INDEBTEDNESS	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
TAX SUPPORTED						
General Obligation Bonds & Notes	$8,254,431	$8,067,824	$8,055,043	$10,646,215	$26,017,794	$35,017,794
TOTAL TAX SUPPORTED	$8,254,431	$8,067,824	$8,055,043	$10,646,215	$26,017,794	$35,017,794
TOTAL DEBT	$8,254,431	$8,067,824	$8,055,043	$10,646,215	$26,017,794	$35,017,794
Less: Revenue Supported Debt	$0	$0	$0	$0	$0	$0
Less: Debt Service Funds	(3,947,599)	(4,024,868)	(3,901,030)	(3,847,355)	(4,052,968)	(4,052,968)
NET DIRECT DEBT	$4,306,832	$4,042,956	$4,154,013	$6,798,860	$21,964,826	$30,964,826

PROPERTY TAX BASE						
Estimated Actual Value	$1,397,627,211	$1,404,153,437	$1,491,857,186	$1,502,191,676	$1,573,366,299	$1,573,366,299
Appraised Value	1,397,627,211	1,404,153,437	1,422,784,198	1,502,191,676	1,573,366,299	1,573,366,299
Assessed Value	399,181,128	401,536,214	410,093,970	430,846,906	456,588,809	456,588,809

	For Fiscal Years Ended June 30					After Issuance
DEBT RATIOS	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
TOTAL DEBT to Estimated Actual Value	0.59%	0.57%	0.54%	0.71%	1.65%	2.23%
TOTAL DEBT to Appraised Value	0.59%	0.57%	0.57%	0.71%	1.65%	2.23%
TOTAL DEBT to Assessed Value	2.07%	2.01%	1.96%	2.47%	5.70%	7.67%
NET DIRECT DEBT to Estimated Actual Value	0.31%	0.29%	0.28%	0.45%	1.40%	1.97%
NET DIRECT DEBT to Appraised Value	0.31%	0.29%	0.29%	0.45%	1.40%	1.97%
NET DIRECT DEBT to Assessed Value	1.08%	1.01%	1.01%	1.58%	4.81%	6.78%
PER CAPITA RATIOS						
POPULATION (1)	26,267	26,066	25,935	26,004	26,004	26,004
PER CAPITA PERSONAL INCOME (2)	$29,329	$30,157	$31,271	$31,901	$31,901	$31,901
Estimated Actual Value to POPULATION	$53,208	$53,869	$57,523	$57,768	$60,505	$60,505
Assessed Value to POPULATION	$15,197	$15,405	$15,812	$16,568	$17,558	$17,558
Total Debt to POPULATION	$314	$310	$311	$409	$1,001	$1,347
Net Direct Debt to POPULATION	$164	$155	$160	$261	$845	$1,191
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.07%	1.03%	0.99%	1.28%	3.14%	4.22%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.56%	0.51%	0.51%	0.82%	2.65%	3.73%

(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.

MCNAIRY COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended 6/30	Existing Bond Debt (1) As of June 30, 2018			General Obligation Bonds, Series 2019			% 2019 Principal Repaid	Total Bonded Debt Service Requirements			% All Principal Repaid
	Principal	Interest	Total	Principal	Interest (2)	Total		Principal	Interest	Total	
2019	$ 1,446,472	$ 832,125	$ 2,278,597	$ -	$ -	$ -	0.00%	$ 1,446,472	$ 832,125	$ 2,278,597	4.13%
2020	771,015	783,484	1,554,499	485,000	269,250	754,250		1,256,015	1,052,734	2,308,749	
2021	922,632	765,631	1,688,263	500,000	255,450	755,450		1,422,632	1,021,081	2,443,713	
2022	836,563	736,157	1,572,720	515,000	240,450	755,450		1,351,563	976,607	2,328,170	
2023	812,778	707,898	1,520,676	530,000	225,000	755,000	22.56%	1,342,778	932,898	2,275,676	19.47%
2024	837,778	680,731	1,518,508	545,000	209,100	754,100		1,382,778	889,831	2,272,608	
2025	862,778	651,589	1,514,366	560,000	192,750	752,750		1,422,778	844,339	2,267,116	
2026	882,778	629,622	1,512,399	575,000	175,950	750,950		1,457,778	805,572	2,263,349	
2027	860,000	607,635	1,467,635	595,000	158,700	753,700		1,455,000	766,335	2,221,335	
2028	755,000	582,001	1,337,001	615,000	140,850	755,850	54.67%	1,370,000	722,851	2,092,851	39.72%
2029	770,000	555,378	1,325,378	630,000	122,400	752,400		1,400,000	677,778	2,077,778	
2030	795,000	528,223	1,323,223	650,000	103,500	753,500		1,445,000	631,723	2,076,723	
2031	715,000	504,603	1,219,603	670,000	84,000	754,000		1,385,000	588,603	1,973,603	
2032	735,000	484,075	1,219,075	690,000	63,900	753,900		1,425,000	547,975	1,972,975	
2033	760,000	462,865	1,222,865	710,000	43,200	753,200	91.89%	1,470,000	506,065	1,976,065	60.06%
2034	785,000	440,065	1,225,065	730,000	21,900	751,900	100.00%	1,515,000	461,965	1,976,965	
2035	805,000	415,815	1,220,815	-	-	-		805,000	415,815	1,220,815	
2036	835,000	390,946	1,225,946	-	-	-		835,000	390,946	1,225,946	
2037	860,000	364,793	1,224,793	-	-	-		860,000	364,793	1,224,793	
2038	885,000	337,088	1,222,088	-	-	-		885,000	337,088	1,222,088	74.06%
2039	915,000	307,700	1,222,700	-	-	-		915,000	307,700	1,222,700	
2040	945,000	277,313	1,222,313	-	-	-		945,000	277,313	1,222,313	
2041	975,000	245,419	1,220,419	-	-	-		975,000	245,419	1,220,419	
2042	1,005,000	212,513	1,217,513	-	-	-		1,005,000	212,513	1,217,513	
2043	1,045,000	178,594	1,223,594	-	-	-		1,045,000	178,594	1,223,594	88.01%
2044	1,080,000	142,950	1,222,950	-	-	-		1,080,000	142,950	1,222,950	
2045	1,115,000	106,113	1,221,113	-	-	-		1,115,000	106,113	1,221,113	
2046	1,155,000	68,081	1,223,081	-	-	-		1,155,000	68,081	1,223,081	
2047	850,000	28,688	878,688	-	-	-		850,000	28,688	878,688	100.00%
	$ 26,017,794	$ 13,028,089	$ 39,045,883	$ 9,000,000	$ 2,306,400	$ 11,306,400		$ 35,017,794	$15,334,489	$ 50,352,283	

NOTES:

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

(2) Estimated Interest Rates. Estimated Average Coupon 3.00%.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES AND RETAINED EARNINGS

The following table depicts audited fund balances and retained earnings for the last several fiscal years ending June 30.

	For the Fiscal Year Ended June 30				
Fund Type	**2014**	**2015**	**2016**	**2017**	**2018**
Governmental Funds:					
General	$1,182,817	$1,059,377	$ 864,854	$1,040,144	$ 718,960
Solid Waste/Sanitation	730,352	840,115	837,817	861,614	753,825
Highway/Public Works	552,205	417,520	654,809	843,002	630,667
General Debt Service	3,947,599	4,024,868	3,901,030	3,847,355	4,052,968
Other Governmental	217,627	175,596	168,362	262,086	1,496,793
Total	**$6,630,600**	**$6,517,476**	**$6,426,872**	**$6,854,201**	**$23,012,524**

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

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

	2014	2015	2016	2017	2018
Revenues:					
Local Taxes	$ 3,528,764	$ 3,599,352	$ 3,664,196	$ 4,039,168	$ 4,317,426
Licenses and Permits	17,745	16,347	18,599	17,761	16,526
Fines, forfeitures and penalties	123,802	90,979	100,227	90,090	108,795
Charges for current services	43,891	40,264	27,007	45,498	39,912
Other local revenue	33,545	38,447	18,815	33,215	35,486
Fees Received from County Officials	883,623	836,869	874,883	879,776	863,217
State of Tennessee	857,833	823,540	836,300	658,546	1,030,621
Federal Government	312,570	644,080	322,888	1,065,824	569,663
Other Gov'ts & Citizens Groups	-	-	-	-	-
Total Revenues	$ 5,801,773	$ 6,089,878	$ 5,862,915	$ 6,829,878	$ 6,981,646
Expenditures:					
General government	$ 713,075	$ 851,987	$ 1,021,632	$ 826,365	$ 1,067,945
Finance	505,962	519,722	539,391	531,617	558,749
Administration of Justice	527,322	559,629	537,201	562,850	592,398
Public Safety	2,122,281	2,113,696	2,120,986	2,098,134	2,298,082
Public Health & Welfare	167,720	182,058	180,863	226,579	714,010
Social, Cultural, & Recreational Services	130,119	126,539	115,074	127,169	107,009
Agricultural & Natural Resources	157,661	127,065	128,801	132,856	139,288
Other Operations	1,370,614	1,750,483	1,439,891	2,145,193	2,118,499
Highways	-	-	-	-	-
Debt Service	39,519	39,518	-	-	132,807
Capital Projects	-	1,500,000	-	-	-
Total Expenditures	$ 5,734,273	$ 7,770,697	$ 6,083,839	$ 6,650,763	$ 7,728,787
Excess (Deficiency) of Revenues Over Expenditures	$ 67,500	$ (1,680,819)	$ (220,924)	$ 179,115	$ (747,141)
Other Sources and Uses:					
Note/Lease Proceeds	$ -	$ 1,500,000	$ -	$ -	$ 372,366
Insurance Recovery	1,569	5,214	8,884	6,175	53,591
Other Loans Issued	-	-	-	-	-
Operating Transfers - In	-	52,165	27,517	-	-
Operating Transfers - Out	-	-	(10,000)	(10,000)	-
Total Sources & Uses	$ 1,569	$ 1,557,379	$ 26,401	$ (3,825)	$ 425,957
Net Change if Fund Balance	$ 69,069	$ (123,440)	$ (194,523)	$ 175,290	$ (321,184)
Fund Balance July 1	1,113,748	1,182,817	1,059,377	864,854	1,040,144
Residual Equity Transfers/Adjustments	-	-	-	-	-
Fund Balance June 30	**$ 1,182,817**	**$ 1,059,377**	**$ 864,854**	**$ 1,040,144**	**$ 718,960**

Source: Comprehensive Annual Financial Reports for McNairy County, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2017[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Actual Value
Public Utilities	$ 76,163,602	55%	$174,487,061
Commercial and Industrial	67,867,560	40%	169,668,900
Personal Tangible Property	31,530,245	30%	105,100,730
Residential and Farm	281,027,402	25%	1,124,109,608
Total	**$456,588,809**		**$1,573,366,299**

Source: The 2017 Tax Aggregate Report of Tennessee and the County.
[1] The tax year coincides with the calendar year, therefore tax year 2017 is actually fiscal year 2017-2018.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2018 (tax year 2017) is $456,588,809 compared to $430,846,906 for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is $1,573,366,299 compared to $1,502,191,676 for tax year 2016.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2014 through 2018 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year[2]	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2018 Amount	Pct
2014	$401,536,214	$ 2.09	$7,323,002	$7,030,082	96.0%	N/A	
2015	410,093,970	2.09	7,395,093	7,148,678	96.7%	N/A	
2016	430,846,906	2.0064	7,470,074	7,096,570	95.0%	N/A	
2017	456,588,809	2.0464	8,946,721	8,521,592	95.2%	$425,129	4.8%
2018	432,407,020	2.0464	8,581,853	IN PROCESS			

[2] The tax year coincides with the calendar year, therefore tax year 2018 is actually fiscal year 2018-2019.

Largest Taxpayers. For the fiscal year ending June 30, 2018 (tax year 2017), the largest taxpayers in the County were as follows:

	Taxpayer	Business Type	Taxes Levied
1.	Pickwick Electric Coop	Utility	$ 611,934
2.	Tennessee Gas Pipeline	Utility	163,170
3.	Phillips 66 Spectrum Corp.	Distribution	64,393
4.	United Stainless	Manufacturing	93,138
5.	Norfolk Southern – IC Br.	Rail	87,419
6.	General Electric Co.	Manufacturing	70,150
7.	Norfolk Southern -Memphis	Rail	62,106
8.	AT&T Mobility, LLC	Telecommunications	46,468
9.	Citigroup / Capital Finance	Finance	45,220
10.	Monogram Refrigeration	Manufacturing	46,566
	TOTAL		**$1,288,104**

Source: The County.

PENSION PLANS

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

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

APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

MCNAIRY COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of McNairy County for the fiscal year ended June 30, 2018 which is available upon request from the County.

Annual Financial Report

McNairy County, Tennessee

For the Year Ended June 30, 2018

Tennessee Comptroller of the Treasury

Division of Local Government Audit

ANNUAL FINANCIAL REPORT

McNAIRY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

LEE ANN WEST, CPA, CGFM
Audit Manager

TIFFANY NOLEN, CFE
Senior Auditor

JUSTIN NEAL, CPA, CGFM
MADISON ADAMS
TWYLA PRATT
State Auditors

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

McNAIRY COUNTY, TENNESSEE
TABLE OF CONTENTS

Summary of Audit Findings

Annual Financial Report
McNairy County, Tennessee
For the Year Ended June 30, 2018

Scope

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2018.

Results

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with McNairy County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- The office had deficiencies in budget operations.

OFFICES OF COUNTY MAYOR AND SHERIFF

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

OFFICE OF HIGHWAY COMMISSIONER

- The office had deficiencies in budget operations.

OFFICE OF DIRECTOR OF SCHOOLS

- The director of schools had not formally documented internal controls.
- The office had deficiencies in budget operations.
- The School Federal Projects Fund had a cash overdraft of $162,117 at June 30, 2018.
- The purchasing software used by the central office did not have adequate application controls.
- Documents could be generated from the software test environment without being marked as invalid.

OFFICE OF SHERIFF

- The office had accounting deficiencies.
- The office did not deposit some funds within three days of collection.
- Duties were not segregated adequately.

Introductory Section

McNairy County Officials
June 30, 2018

Officials

Ronnie Brooks, County Mayor
Harvey Neal Smith, Highway Commissioner
Greg Martin, Director of Schools
Stanley Mitchell, Trustee
Brandon Moore, Assessor of Property
Ronnie Price, County Clerk
Byron Maxedon, Circuit and General Sessions Courts Clerk
Kim Boals, Clerk and Master
Brian Dickey, Register of Deeds
Guy Buck, Sheriff

Board of County Commissioners

Ronnie Brooks, County Mayor, Chairman
Wilburn Gene Ashe
Steve Browder
Neal Burks
Brenda Cauley
Tammy Dillon
Aubrey Harris
Steve Hunter
Keith Jernigan
Jeff Lipford
Kevin Lipford
David McCullar
Troy Moore
Jim Rickman
Anthony Smith
John Talbott
James Weatherford
Stan Wheeler
Sandy Whitaker
Matthew Wood
Carol Ann Woods

Board of Education

Jarrell Stanfield, Chairman
Lynn Baker
Jay Hendrix
Jean Jones
Mark Massey
Brian Rowsey
Ricky Whitaker

Audit Committee

George Donaldson, Chairman
Wilburn Gene Ashe
Billy Brown
Troy Moore
Jim Rickman
Tommy Ross

FINANCIAL SECTION

Justin P. Wilson
Comptroller

Jason E. Mumpower
Deputy Comptroller

Independent Auditor's Report

McNairy County Mayor and
Board of County Commissioners
McNairy 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2018, 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 McNairy County Airport Authority. 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 McNairy County Airport Authority, is based solely on the report of the other auditors. We were unable to determine McNairy County Airport Authority's percentage of the net position of the aggregate discretely presented component units because the McNairy 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.

Cordell Hull Building | 425 Fifth Avenue North | Nashville, Tennessee 37243

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., McNairy County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.9. to the financial statements, which describes restatements increasing the beginning net position of the Governmental Activities by $521 and reducing the beginning net position of the discretely presented McNairy County School Department by $18,314,535 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension asset and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension assets, and schedules of county and school changes in the total OPEB liability and related ratios - other postemployment benefits plans on pages 101-110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McNairy County's 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 McNairy County School Department (a discretely presented component unit), miscellaneous schedules and other information such as the introductory section and management's corrective action plans are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is 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 McNairy County School Department (a discretely presented component unit), schedule of expenditures of federal awards, 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 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 McNairy County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and management's corrective action plans have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019, on our consideration of McNairy County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McNairy County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNairy County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 22, 2019

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

McNairy County, Tennessee
Statement of Net Position
June 30, 2018

	Primary Government Governmental Activities	McNairy County School Department	McNairy County Airport Authority
ASSETS			
Cash	$ 780	$ 0	$ 95,580
Equity in Pooled Cash and Investments	22,601,384	6,057,744	0
Inventories	0	0	22,193
Accounts Receivable	2,699,568	875	2,827
Allowance for Uncollectibles	(747,556)	0	0
Due from Other Governments	841,217	1,298,409	0
Property Taxes Receivable	5,386,065	4,251,177	0
Allowance for Uncollectible Property Taxes	(322,645)	(255,897)	0
Prepaid Items	2,051	0	2,324
Net Pension Asset - Agent Plan	388,413	514,874	0
Net Pension Asset - Teacher Retirement Plan	0	74,880	0
Net Pension Teacher Legacy Pension Plan	0	144,827	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,440,327	1,291,479	91,331
Construction in Progress	0	1,700,516	1,550
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,243,845	9,642,531	119,377
Infrastructure	4,146,981	0	4,070,718
Other Capital Assets	1,334,844	2,198,243	30,888
Total Assets	$ 41,015,274	$ 26,919,658	$ 4,436,788
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	$ 29,181	$ 0	$ 0
Pension Changes in Experience	6,262	98,236	0
Pension Changes in Investment Earnings	0	21,984	0
Pension Other Deferrals	211,253	1,629,341	0
Pension Contributions after Measurement Date	174,338	1,740,356	0
OPEB Contributions after Measurement Date	1,403	420,570	0
Total Deferred Outflows of Resources	$ 422,437	$ 3,910,487	$ 0
LIABILITIES			
Accounts Payable	$ 269,343	$ 0	$ 1,836
Payroll Deductions Payable	30,852	12,477	0
Contracts Payable	0	162,117	0
Accrued Interest Payable	80,599	0	0
Other Current Liabilities	0	0	26,358
Noncurrent Liabilities:			
Due Within One Year	1,546,606	0	0
Due in More Than One Year	25,466,824	19,694,256	0
Total Liabilities	$ 27,394,224	$ 19,868,850	$ 28,194
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	$ 4,841,311	$ 3,818,124	$ 0
Pension Changes in Experience	153,268	3,198,813	0
Pension Changes in Investment Earnings	3,061	8,087	0
Pension Other Deferrals	0	60,052	0
OPEB Changes in Assumptions	1,904	1,713,287	0
Total Deferred Inflows of Resources	$ 4,999,544	$ 8,798,363	$ 0

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units McNairy County School Department	Component Units McNairy County Airport Authority
NET POSITION			
Net Investment in Capital Assets	$ 6,794,567	$ 14,832,769	$ 4,313,864
Restricted for:			
General Government	81,537	0	0
Finance	21,537	0	0
Administration of Justice	69,924	0	0
Public Safety	220,845	0	0
Public Health & Welfare	1,915,999	0	0
Social, Cultural, and Recreational Services	6,338	0	0
Highway/Public Works	183,007	0	0
Education	0	170,951	0
Operation of Non-instructional Services	0	1,103,511	0
Capital Outlay	16,610,529	2,544,640	9,279
Debt Service	3,563,496	0	0
Pensions	388,413	734,581	0
Unrestricted	(20,812,249)	(17,223,520)	85,451
Total Net Position	$ 9,043,943	$ 2,162,932	$ 4,408,594

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

McNairy County, Tennessee
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	McNairy County Airport Authority
Primary Government:							
Governmental Activities:							
General Government	$ 1,841,789	$ 260,514	$ 31,217	$ 0	$ (1,550,058)	$ 0	$ 0
Finance	761,425	493,824	0	0	(267,601)	0	0
Administration of Justice	767,137	420,243	4,500	0	(342,394)	0	0
Public Safety	2,895,715	359,071	21,799	27,489	(2,487,356)	0	0
Public Health and Welfare	2,213,371	1,303,505	655,072	350,789	95,995	0	0
Social, Cultural, and Rec Services	134,430	7,674	0	187,203	60,447	0	0
Agriculture and Natural Resources	187,490	0	13,625	0	(173,865)	0	0
Highways/Public Works	3,206,243	50,874	2,203,021	(4,400)	(956,748)	0	0
Interest on Long-term Debt	467,390	0	352,840	0	(114,550)	0	0
Total Primary Government	$ 12,474,990	$ 2,895,705	$ 3,282,074	$ 561,081	$ (5,736,130)	$ 0	$ 0
Component Units:							
McNairy County School Department	$ 37,857,293	$ 316,084	$ 4,796,139	$ 124,906	$ 0	$ (32,620,164)	$ 0
McNairy County Airport Authority	412,785	110,708	67,932	89,188	0	0	(144,957)
Total Component Units	$ 38,270,078	$ 426,792	$ 4,864,071	$ 214,094	$ 0	$ (32,620,164)	$ (144,957)

(Continued)

Exhibit B

McNairy County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	McNairy County Airport Authority
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					$ 4,162,416	$ 4,010,772	$ 0
Property Taxes Levied for Debt Service					826,997	0	0
Local Option Sales Taxes					254,119	2,037,155	0
Litigation Tax					99,900	0	0
Business Tax					168,000	0	0
Wholesale Beer Tax					20,117	0	0
Other Local Taxes					37,290	0	0
Grants and Contributions Not Restricted to Specific Programs					1,248,086	26,602,980	0
Unrestricted Investment Income					104,418	9,653	30
Miscellaneous					20,552	121,438	4,200
Total General Revenues					$ 6,941,895	$ 32,781,998	$ 4,230
Change in Net Position					$ 1,205,765	$ 161,834	$ (140,727)
Net Position, July 1, 2017					7,837,657	20,315,633	4,549,321
Restatements - See Note I.D.9.					521	(18,314,535)	0
Net Position, June 30, 2018					$ 9,043,943	$ 2,162,932	$ 4,408,594

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

McNairy County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
ASSETS					
Cash	$ 0	$ 0	$ 0	$ 0	$ 0
Equity in Pooled Cash and Investments	879,196	842,753	504,527	3,547,482	15,359,311
Accounts Receivable	9,513	2,650,106	2,120	6,418	0
Allowance for Uncollectibles	0	(747,556)	0	0	0
Due from Other Governments	579,528	17,844	243,845	0	0
Due from Other Funds	4,052	0	0	0	0
Property Taxes Receivable	4,145,282	0	391,987	848,796	0
Allowance for Uncollectible Property Taxes	(247,359)	0	(23,592)	(51,694)	0
Prepaid Items	2,051	0	0	0	0
Advances to Other Funds	0	0	0	500,000	0
Total Assets	$ 5,372,263	$ 2,763,147	$ 1,118,887	$ 4,851,002	$ 15,359,311
LIABILITIES					
Accounts Payable	$ 178,331	$ 88,361	$ 0	$ 0	$ 0
Payroll Deductions Payable	29,080	1,690	0	0	0
Due to Other Funds	0	3,272	0	0	0
Advances Payable to Other Funds	500,000	0	0	0	0
Total Liabilities	$ 707,411	$ 93,323	$ 0	$ 0	$ 0
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 3,728,415	$ 0	$ 352,064	$ 760,832	$ 0
Deferred Delinquent Property Taxes	173,862	0	16,750	37,202	0
Other Deferred/Unavailable Revenue	43,615	1,915,999	119,406	0	0
Total Deferred Inflows of Resources	$ 3,945,892	$ 1,915,999	$ 488,220	$ 798,034	$ 0

(Continued)

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

FUND BALANCES	Major Funds: General	Major Funds: Solid Waste / Sanitation	Major Funds: Highway / Public Works	Major Funds: General Debt Service	Major Funds: Education Capital Projects
Nonspendable:					
Advances to Other Funds	$ 0	$ 0	$ 0	$ 500,000	$ 0
Prepaid Items	2,051	0	0	0	0
Restricted:					
Restricted for General Government	56,621	0	0	0	0
Restricted for Finance	21,537	0	0	0	0
Restricted for Administration of Justice	69,924	0	0	0	0
Restricted for Public Safety	106,886	0	0	0	0
Restricted for Social, Cultural, and Recreational Services	0	0	0	0	0
Restricted for Highways/Public Works	0	0	209,005	0	0
Restricted for Capital Outlay	0	0	0	0	15,359,311
Restricted for Debt Service	0	0	0	3,072,153	0
Committed:					
Committed for General Government	0	0	0	0	0
Committed for Public Health and Welfare	0	753,825	0	0	0
Committed for Agriculture and Natural Resources	0	0	0	0	0
Committed for Highways/Public Works	0	0	421,662	0	0
Committed for Debt Service	0	0	0	480,815	0
Committed for Capital Projects	30,935	0	0	0	0
Assigned:					
Assigned for Public Health and Welfare	223	0	0	0	0
Unassigned	430,783	0	0	0	0
Total Fund Balances	$ 718,960	$ 753,825	$ 630,667	$ 4,052,968	$ 15,359,311
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,372,263	$ 2,763,147	$ 1,118,887	$ 4,851,002	$ 15,359,311

(Continued)

Exhibit C-1

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

	Nonmajor Funds: Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash	$ 780	$ 780
Equity in Pooled Cash and Investments	1,468,115	22,601,384
Accounts Receivable	31,411	2,699,568
Allowance for Uncollectibles	0	(747,556)
Due from Other Governments	0	841,217
Due from Other Funds	0	4,052
Property Taxes Receivable	0	5,386,065
Allowance for Uncollectible Property Taxes	0	(322,645)
Prepaid Items	0	2,051
Advances to Other Funds	0	500,000
Total Assets	$ 1,500,306	$ 30,964,916
LIABILITIES		
Accounts Payable	$ 2,651	$ 269,343
Payroll Deductions Payable	82	30,852
Due to Other Funds	780	4,052
Advances Payable to Other Funds	0	500,000
Total Liabilities	$ 3,513	$ 804,247
DEFERRED INFLOWS OF RESOURCES		
Deferred Current Property Taxes	$ 0	$ 4,841,311
Deferred Delinquent Property Taxes	0	227,814
Other Deferred/Unavailable Revenue	0	2,079,020
Total Deferred Inflows of Resources	$ 0	$ 7,148,145

(Continued)

Exhibit C-1

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

FUND BALANCES	Nonmajor Funds Other Govern-mental Funds	Total Governmental Funds
Nonspendable:		
Advances to Other Funds	$ 0	$ 500,000
Prepaid Items	0	2,051
Restricted:		
Restricted for General Government	23,335	79,956
Restricted for Finance	0	21,537
Restricted for Administration of Justice	0	69,924
Restricted for Public Safety	119,048	225,934
Restricted for Social, Cultural, and Recreational Services	6,338	6,338
Restricted for Highways/Public Works	0	209,005
Restricted for Capital Outlay	1,251,218	16,610,529
Restricted for Debt Service	0	3,072,153
Committed:		
Committed for General Government	88,014	88,014
Committed for Public Health and Welfare	0	753,825
Committed for Agriculture and Natural Resources	8,840	8,840
Committed for Highways/Public Works	0	421,662
Committed for Debt Service	0	480,815
Committed for Capital Projects	0	30,935
Assigned:		
Assigned for Public Health and Welfare	0	223
Unassigned	0	430,783
Total Fund Balances	$ 1,496,793	$ 23,012,524
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,500,306	$ 30,964,916

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

McNairy County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

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)		$ 23,012,524
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,440,327	
Add: buildings and improvements net of accumulated depreciation	3,243,845	
Add: infrastructure net of accumulated depreciation	4,146,981	
Add: other capital assets net of accumulated depreciation	1,334,844	10,165,997
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	$ (2,785,117)	
Less: capital leases payable	(244,461)	
Less: bonds payable	(23,115,143)	
Less: unamortized premium on debt	(156,338)	
Add: deferred amount on refunding	29,181	
Less: compensated absences payable	(141,552)	
Less: landfill closure/postclosure care costs	(495,280)	
Less: net OPEB liability	(75,539)	
Less: accrued interest payable	(80,599)	(27,064,848)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.		
Add: deferred outflows of resources related to pensions	$ 391,853	
Less: deferred inflows of resources related to pensions	(156,329)	
Add: deferred outflows of resources related to OPEB	1,403	
Less: deferred inflows of resources related to OPEB	(1,904)	235,023
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		388,413
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		2,306,834
Net position of governmental activities (Exhibit A)		$ 9,043,943

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

Exhibit C-3

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
Revenues					
Local Taxes	$ 4,317,426	$ 0	$ 371,576	$ 821,944	$ 0
Licenses and Permits	16,526	0	0	0	0
Fines, Forfeitures, and Penalties	108,795	0	0	0	0
Charges for Current Services	39,912	769,666	0	0	0
Other Local Revenues	35,486	65,309	54,744	78,703	50,914
Fees Received From County Officials	863,217	0	0	0	0
State of Tennessee	1,030,621	319,331	2,260,145	0	0
Federal Government	569,663	0	0	0	0
Other Governments and Citizens Groups	0	4,184	43,403	1,200,631	0
Total Revenues	$ 6,981,646	$ 1,158,490	$ 2,729,868	$ 2,101,278	$ 50,914
Expenditures					
Current:					
General Government	$ 1,067,945	$ 0	$ 0	$ 0	$ 0
Finance	558,749	0	0	0	0
Administration of Justice	592,398	0	0	0	0
Public Safety	2,298,082	0	0	0	0
Public Health and Welfare	714,010	1,182,050	0	0	0
Social, Cultural, and Recreational Services	107,009	0	0	0	0
Agriculture and Natural Resources	139,288	0	0	0	0
Other Operations	2,118,499	44,446	0	0	0
Highways	0	39,783	2,942,203	0	0
Debt Service:					
Principal on Debt	127,905	0	0	1,470,422	0
Interest on Debt	4,902	0	0	407,185	0
Other Debt Service	0	0	0	18,058	286,146

(Continued)

Exhibit C-3

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

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
Expenditures (Cont.)					
Capital Projects	$ 0	$ 0	$ 0	$ 0	$ 0
Total Expenditures	$ 7,728,787	$ 1,266,279	$ 2,942,203	$ 1,895,665	$ 286,146
Excess (Deficiency) of Revenues Over Expenditures	$ (747,141)	$ (107,789)	$ (212,335)	$ 205,613	$ (235,232)
Other Financing Sources (Uses)					
Bonds Issued	$ 0	$ 0	$ 0	$ 0	$ 15,475,000
Notes Issued	0	0	0	0	0
Capital Leases Issued	372,366	0	0	0	0
Premiums on Debt Sold	0	0	0	0	119,543
Insurance Recovery	53,591	0	0	0	0
Total Other Financing Sources (Uses)	$ 425,957	$ 0	$ 0	$ 0	$ 15,594,543
Net Change in Fund Balances	$ (321,184)	$ (107,789)	$ (212,335)	$ 205,613	$ 15,359,311
Fund Balance, July 1, 2017	1,040,144	861,614	843,002	3,847,355	0
Fund Balance, June 30, 2018	$ 718,960	$ 753,825	$ 630,667	$ 4,052,968	$ 15,359,311

(Continued)

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

	Nonmajor Funds Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	$ 2,176	$ 5,513,122
Licenses and Permits	0	16,526
Fines, Forfeitures, and Penalties	23,922	132,717
Charges for Current Services	1,332	810,910
Other Local Revenues	167,971	453,127
Fees Received From County Officials	0	863,217
State of Tennessee	0	3,610,097
Federal Government	0	569,663
Other Governments and Citizens Groups	0	1,248,218
Total Revenues	$ 195,401	$ 13,217,597
Expenditures		
Current:		
General Government	$ 100,121	$ 1,168,066
Finance	0	558,749
Administration of Justice	0	592,398
Public Safety	39,624	2,337,706
Public Health and Welfare	0	1,896,060
Social, Cultural, and Recreational Services	2,759	109,768
Agriculture and Natural Resources	4,037	143,325
Other Operations	1,348	2,164,293
Highways	0	2,981,986
Debt Service:		
Principal on Debt	3,576	1,601,903
Interest on Debt	142	412,229
Other Debt Service	7,500	311,704

(Continued)

Exhibit C-3

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

	Nonmajor Funds Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)		
Capital Projects	$ 51,587	$ 51,587
Total Expenditures	$ 210,694	$ 14,329,774
Excess (Deficiency) of Revenues Over Expenditures	$ (15,293)	$ (1,112,177)
Other Financing Sources (Uses)		
Bonds Issued	$ 0	$ 15,475,000
Notes Issued	1,250,000	1,250,000
Capital Leases Issued	0	372,366
Premiums on Debt Sold	0	119,543
Insurance Recovery	0	53,591
Total Other Financing Sources (Uses)	$ 1,250,000	$ 17,270,500
Net Change in Fund Balances	$ 1,234,707	$ 16,158,323
Fund Balance, July 1, 2017	262,086	6,854,201
Fund Balance, June 30, 2018	$ 1,496,793	$ 23,012,524

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

McNairy 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, 2018

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)		$ 16,158,323
(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	$ 958,318	
Less: current-year depreciation expense	(822,071)	136,247
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: proceeds received from disposal of capital assets		(8,582)
(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, 2018	$ 2,306,834	
Less: deferred delinquent property taxes and other deferred June 30, 2017	(1,842,769)	464,065
(4) The issuance of long-term debt (e.g., bonds, notes, 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: capital lease proceeds	$ (372,366)	
Less: note proceeds	(1,250,000)	
Less: bond proceeds	(15,475,000)	
Less: change in premium on debt issuances	(111,868)	
Less: change in deferred amount on refunding debt	(5,848)	
Add: principal payments on bonds	1,279,133	
Add: principal payments on notes	191,289	
Add: principal payments on capital leases	131,481	(15,613,179)
(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	$ (55,161)	
Change in compensated absences payable	(20,086)	
Change in net OPEB liability (net of restatement)	(7,060)	
Change in deferred outflows related to OPEB	1,403	
Change in deferred inflows related to OPEB	(1,904)	
Change in landfill closure/postclosure care costs	15,744	
Change in net pension asset	103,029	
Change in deferred outflows related to pensions	(16,505)	
Change in deferred inflows related to pensions	49,431	68,891
Change in net position of governmental activities (Exhibit B)		$ 1,205,765

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

Exhibit C-5

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 4,317,426	$ 0	$ 0	$ 4,317,426	$ 3,999,630	$ 3,999,630	$ 317,796
Licenses and Permits	16,526	0	0	16,526	19,500	19,500	(2,974)
Fines, Forfeitures, and Penalties	108,795	0	0	108,795	111,650	111,650	(2,855)
Charges for Current Services	39,912	0	0	39,912	41,800	41,800	(1,888)
Other Local Revenues	35,486	0	0	35,486	68,800	68,800	(33,314)
Fees Received From County Officials	863,217	0	0	863,217	876,650	876,650	(13,433)
State of Tennessee	1,030,621	0	0	1,030,621	605,000	605,000	425,621
Federal Government	569,663	0	0	569,663	247,000	247,000	322,663
Total Revenues	$ 6,981,646	$ 0	$ 0	$ 6,981,646	$ 5,970,030	$ 5,970,030	$ 1,011,616
Expenditures							
General Government							
County Commission	$ 35,089	$ 0	$ 0	$ 35,089	$ 45,877	$ 45,877	$ 10,788
Board of Equalization	1,750	0	0	1,750	2,200	2,200	450
Beer Board	165	0	0	165	150	150	(15)
Budget and Finance Committee	1,785	0	0	1,785	1,000	1,000	(785)
Other Boards and Committees	1,065	0	0	1,065	1,000	1,000	(65)
County Mayor/Executive	162,576	0	0	162,576	158,891	158,891	(3,685)
County Attorney	6,000	0	0	6,000	6,000	6,000	0
Election Commission	120,791	0	0	120,791	131,275	131,275	10,484
Register of Deeds	137,493	0	0	137,493	136,132	137,815	322
County Buildings	600,718	0	0	600,718	341,392	341,392	(259,326)
Preservation of Records	513	0	0	513	550	550	37
Finance							
Accounting and Budgeting	0	0	0	0	72,142	72,142	72,142
Property Assessor's Office	154,884	0	0	154,884	157,018	157,018	2,134
Reappraisal Program	23,981	0	0	23,981	29,915	29,915	5,934
County Trustee's Office	157,584	0	0	157,584	160,136	160,136	2,552
County Clerk's Office	222,300	0	0	222,300	221,064	221,064	(1,236)

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice							
Circuit Court	$ 204,461	$ (50)	$ 0	$ 204,411	$ 197,963	$ 197,963	$ (6,448)
General Sessions Court	191,660	0	0	191,660	207,530	207,530	15,870
Chancery Court	143,528	0	0	143,528	141,596	141,596	(1,932)
Juvenile Court	52,749	0	0	52,749	49,045	49,045	(3,704)
Public Safety							
Sheriff's Department	1,624,205	0	0	1,624,205	1,492,047	1,618,258	(5,947)
Jail	384,795	0	0	384,795	382,008	382,008	(2,787)
Fire Prevention and Control	120,037	0	0	120,037	137,764	137,764	17,727
Rural Fire Protection	37,115	0	0	37,115	42,000	42,000	4,885
Civil Defense	74,870	0	0	74,870	80,600	80,600	5,730
Inspection and Regulation	5,685	0	0	5,685	5,785	5,785	100
Other Public Safety	51,375	0	0	51,375	68,500	68,500	17,125
Public Health and Welfare							
Local Health Center	694,638	0	223	694,861	199,900	199,900	(494,961)
Ambulance/Emergency Medical Services	12,500	0	0	12,500	10,000	10,000	(2,500)
Other Local Health Services	6,872	0	0	6,872	17,971	17,971	11,099
Social, Cultural, and Recreational Services							
Libraries	107,009	0	0	107,009	144,610	144,610	37,601
Agriculture and Natural Resources							
Agricultural Extension Service	79,400	0	0	79,400	82,392	82,392	2,992
Soil Conservation	59,888	0	0	59,888	59,888	59,888	0
Other Operations							
Other Economic and Community Development	1,032,061	0	0	1,032,061	276,764	276,764	(755,297)
Airport	64,000	0	0	64,000	64,000	64,000	0
Veterans' Services	19,240	0	0	19,240	13,787	13,787	(5,453)
Other Charges	145,467	0	0	145,467	145,000	145,000	(467)
Contributions to Other Agencies	18,326	0	0	18,326	21,000	21,000	2,674
Employee Benefits	837,954	0	0	837,954	933,382	933,382	95,428
Miscellaneous	1,451	0	0	1,451	6,400	6,400	4,949

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Principal on Debt							
General Government	$ 127,905 $	0 $	0 $	127,905 $	0 $	69,057 $	(58,848)
Interest on Debt							
General Government	4,902	0	0	4,902	0	716	(4,186)
Total Expenditures	$ 7,728,787 $	(50) $	223 $	7,728,960 $	6,244,674 $	6,442,341 $	(1,286,619)
Excess (Deficiency) of Revenues Over Expenditures	$ (747,141) $	50 $	(223) $	(747,314) $	(274,644) $	(472,311) $	(275,003)
Other Financing Sources (Uses)							
Capital Leases Issued	$ 372,366 $	0 $	0 $	372,366 $	0 $	195,984 $	176,382
Insurance Recovery	53,591	0	0	53,591	98,000	98,000	(44,409)
Transfers In	0	0	0	0	500,000	0	0
Transfers Out	0	0	0	0	(500,000)	0	0
Total Other Financing Sources	$ 425,957 $	0 $	0 $	425,957 $	98,000 $	293,984 $	131,973
Net Change in Fund Balance	$ (321,184) $	50 $	(223) $	(321,357) $	(176,644) $	(178,327) $	(143,030)
Fund Balance, July 1, 2017	1,040,144	(50)	0	1,040,094	1,186,886	1,186,886	(146,792)
Fund Balance, June 30, 2018	$ 718,960 $	0 $	(223) $	718,737 $	1,010,242 $	1,008,559 $	(289,822)

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

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	$ 0	$ 0	$ 0	$ 1,500	$ 1,500	$ (1,500)
Charges for Current Services	769,666	0	769,666	748,800	748,800	20,866
Other Local Revenues	65,309	0	65,309	105,000	105,000	(39,691)
State of Tennessee	319,331	0	319,331	328,600	328,600	(9,269)
Other Governments and Citizens Groups	4,184	0	4,184	0	0	4,184
Total Revenues	$ 1,158,490	$ 0	$ 1,158,490	$ 1,183,900	$ 1,183,900	$ (25,410)
Expenditures						
Public Health and Welfare						
Sanitation Management	$ 1,024,430	$ 0	$ 1,024,430	$ 939,855	$ 939,855	$ (84,575)
Recycling Center	123,520	(250)	123,270	102,000	102,000	(21,270)
Landfill Operation and Maintenance	34,100	0	34,100	21,550	21,550	(12,550)
Other Operations						
Employee Benefits	44,446	0	44,446	50,360	50,360	5,914
Highways						
Litter and Trash Collection	39,783	(2,001)	37,782	51,600	51,600	13,818
Total Expenditures	$ 1,266,279	$ (2,251)	$ 1,264,028	$ 1,165,365	$ 1,165,365	$ (98,663)
Excess (Deficiency) of Revenues Over Expenditures	$ (107,789)	$ 2,251	$ (105,538)	$ 18,535	$ 18,535	$ (124,073)
Net Change in Fund Balance	$ (107,789)	$ 2,251	$ (105,538)	$ 18,535	$ 18,535	$ (124,073)
Fund Balance, July 1, 2017	861,614	(2,251)	859,363	923,343	923,343	(63,980)
Fund Balance, June 30, 2018	$ 753,825	$ 0	$ 753,825	$ 941,878	$ 941,878	$ (188,053)

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

Exhibit C-7

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 371,576	$ 374,867	$ 374,867	$ (3,291)
Other Local Revenues	54,744	97,000	97,000	(42,256)
State of Tennessee	2,260,145	2,640,231	2,640,231	(380,086)
Other Governments and Citizens Groups	43,403	25,000	25,000	18,403
Total Revenues	$ 2,729,868	$ 3,137,098	$ 3,137,098	$ (407,230)
Expenditures				
Highways				
Administration	$ 154,537	$ 154,110	$ 154,110	$ (427)
Highway and Bridge Maintenance	1,103,037	870,792	870,792	(232,245)
Operation and Maintenance of Equipment	435,198	406,600	406,600	(28,598)
Other Charges	89,344	90,000	90,000	656
Employee Benefits	437,377	454,500	454,500	17,123
Capital Outlay	722,710	1,211,500	1,211,500	488,790
Principal on Debt				
Highways and Streets	0	25,000	25,000	25,000
Interest on Debt				
Highways and Streets	0	1,500	1,500	1,500
Total Expenditures	$ 2,942,203	$ 3,214,002	$ 3,214,002	$ 271,799
Excess (Deficiency) of Revenues Over Expenditures	$ (212,335)	$ (76,904)	$ (76,904)	$ (135,431)
Net Change in Fund Balance	$ (212,335)	$ (76,904)	$ (76,904)	$ (135,431)
Fund Balance, July 1, 2017	843,002	843,002	843,002	0
Fund Balance, June 30, 2018	$ 630,667	$ 766,098	$ 766,098	$ (135,431)

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

Exhibit D

McNairy County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

	Agency Funds
ASSETS	
Cash	$ 760,439
Accounts Receivable	863
Due from Other Governments	327,660
Cash Shortage	6,341
Total Assets	$ 1,095,303
LIABILITIES	
Due to Other Taxing Units	$ 327,660
Due to Litigants, Heirs, and Others	767,643
Total Liabilities	$ 1,095,303

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

McNAIRY COUNTY, TENNESSEE
Index of Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McNairy 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 McNairy County:

A. Reporting Entity

McNairy County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present McNairy County (the primary government) and its component units. The financial statements of the McNairy County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of the 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 McNairy County School Department operates the public school system in the county, and the voters of McNairy 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 McNairy County Airport Authority operates the county's only airport facility, and the McNairy County Commission appoints its governing body and approves its operating budget. The McNairy County Airport Authority is funded primarily through rentals and fuel sales.

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

The McNairy 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 McNairy County Airport Authority and the McNairy County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

McNairy County Airport Authority
2281 Airport Road
Selmer, TN 38375

McNairy County Emergency
Communications District
12 Falcon Street
Selmer, TN 38375

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. However, the primary government of McNairy County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The McNairy 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.

McNairy County issues all debt for the discretely presented McNairy County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2018.

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

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

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

Fund financial statements of McNairy County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. McNairy County has no proprietary funds to report.

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

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

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.

McNairy 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.

Solid Waste/Sanitation Fund – This special revenue fund accounts for the county's garbage collection operations. Residential waste collection charges are the foundational revenues of this fund.

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

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

Education Capital Projects Fund – This fund accounts for debt issued by McNairy County that is subsequently contributed to the discretely presented McNairy County School Department for construction and renovation projects.

Additionally, McNairy County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in McNairy County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented McNairy County School Department reports the following major governmental funds:

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.

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

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

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented McNairy 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 and the primary government's Education Capital Projects Fund. McNairy County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

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

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

Advances between funds, as reported in the General Debt Service Fund financial statements, are offset by a nonspendable fund balance classification account to indicate that they are not available for appropriation and are not expendable from available financial resources.

Property taxes and solid waste receivables are shown with an allowance for uncollectibles. The solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 3.23 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.

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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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
Buildings and Improvements	25 - 40
Other Capital Assets	5 - 20
Infrastructure:	
Roads	20 - 50
Bridges	30

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. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are for the deferred charge on refunding, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, as well as employer contributions made to the pension and OPEB plans after the measurement date.

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

6. Compensated Absences

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. There is no liability for accumulated sick leave since McNairy County does not have a policy to pay sick leave when employees separate from service with the government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The School Department has a formal leave policy; however, the policy does not provide for employees to receive compensation for unused accumulated vacation or sick leave days.

7. Long-term Obligations

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, landfill closure/postclosure care costs, and other postemployment benefits 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, equity is classified as net position and displayed in three components:

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

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

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

As of June 30, 2018, McNairy County had $22,511,260 in outstanding debt for capital purposes for the discretely presented McNairy County School Department. This debt is a liability of McNairy County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, McNairy County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

9. **Restatements**

In prior years, the government was required to recognize a liability for its other postemployment benefits plans under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, McNairy County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements increasing the beginning net position of the Governmental Activities of the primary government by $521 and reducing the beginning net position of the discretely presented McNairy School Department by $18,314,535 have been recognized to account for the transitional requirements.

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

F. Other Postemployment Benefit (OPEB) Plans

Primary Government

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by McNairy County. For this purpose, McNairy County recognizes benefit payments when due and payable in accordance with benefit terms. McNairy County's OPEB plan is not administered through a trust.

Discretely Presented McNairy County School Department

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented McNairy County School Department. For this purpose, the School Department recognizes benefit payments when due and payable in accordance with benefit terms. The School Department's OPEB plan is not administered through a trust.

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 McNairy County School Department

Exhibit I-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 changes in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented McNairy County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Shortages – Prior Years

The audit of McNairy County for the 2007-08 year reported a cash shortage of $13,528.19 in the Office of Circuit Court Clerk. A former office employee admitted taking the funds and has restored the $13,528.19 in missing funds to the office. On June 20, 2008, the former employee pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, granted probation immediately, and ordered to pay $4,405 for restitution to the county for audit expenses. As of June 30, 2018, uncollected restitution for audit expenses totaled $3,390.50.

The audit of McNairy County for the 2011-12 year reported a cash shortage of $9,782.36 in the Office of Sheriff. A former employee admitted taking the funds, and on February 14, 2013, was found guilty of theft of property and official misconduct and ordered to pay restitution and court costs. As of June 30, 2018, the uncollected cash shortage totaled $6,341.38.

C. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of $162,117 at June 30, 2018. This cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2018.

D. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations in the General, Solid Waste/Sanitation, Drug Control, General Debt Service, and General Purpose School funds by $1,286,619, $98,663, $342, $4,065, and $331,559, respectively. Also, expenditures exceeded appropriations approved by the county commission in several major appropriation categories (the legal level of control) of the Highway/Public Works Fund as reflected in the following table:

Major Appropriation Category	Amount Overspent
Highways - Administration	$ 427
Highways - Highway and Bridge Maintenance	232,245
Highways - Operation and Maintenance of Equipment	28,598

Expenditures that exceed appropriations are a violation of state statutes.

These expenditures in excess of appropriations were funded by available fund balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

McNairy County and the McNairy 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, 2018, McNairy County had the following investments carried at fair value 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 McNairy County and the discretely presented McNairy County School Department since both pool their deposits and investments through the county trustee.

Investments	Maturities	Fair Value
U.S. Treasury Bills	7-19-18 to 9-13-18	$ 5,100,672
U.S. Treasury Notes	10-15-18 to 11-15-19	11,268,291
Total		$ 16,368,963

Investment by fair value level	Fair Value 6-30-18	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Treasury Bills	$ 5,100,672	$ 5,100,672
U.S. Treasury Notes	11,268,291	11,268,291
Total	$ 16,368,963	$ 16,368,963

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. McNairy 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. McNairy County has no investment policy that would further limit its investment choices. As of June 30, 2018, McNairy County's investments in the U.S. Treasury Bills and U.S. Treasury Notes were unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	$ 1,140,327	$ 300,000	$ 0	$ 1,440,327
Total Capital Assets Not Depreciated	$ 1,140,327	$ 300,000	$ 0	$ 1,440,327
Capital Assets Depreciated:				
Buildings and Improvements	$ 10,776,631	$ 200,000	$ 0	$ 10,976,631
Infrastructure	6,033,536	0	0	6,033,536
Other Capital Assets	6,337,273	458,318	162,847	6,632,744
Total Capital Assets Depreciated	$ 23,147,440	$ 658,318	$ 162,847	$ 23,642,911
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 7,495,300	$ 237,486	$ 0	$ 7,732,786
Infrastructure	1,626,639	259,916	0	1,886,555
Other Capital Assets	5,127,496	324,669	154,265	5,297,900
Total Accumulated Depreciation	$ 14,249,435	$ 822,071	$ 154,265	$ 14,917,241
Total Capital Assets Depreciated, Net	$ 8,898,005	$ (163,753)	$ 8,582	$ 8,725,670
Governmental Activities Capital Assets, Net	$ 10,038,332	$ 136,247	$ 8,582	$ 10,165,997

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

Governmental Activities:

General Government	$	182,041
Finance		14,576
Administration of Justice		5,087
Public Safety		139,459
Public Health and Welfare		50,506
Highway/Public Works		430,402
Total Depreciation Expense - Governmental Activities	$	822,071

Discretely Presented McNairy County School Department

Governmental Activities:

	Balance 7-1-17	Increases	Balance 6-30-18
Capital Assets Not Depreciated:			
Land	$ 1,286,479	$ 5,000	$ 1,291,479
Construction in Progress	200,350	1,500,166	1,700,516
Total Capital Assets Not Depreciated	$ 1,486,829	$ 1,505,166	$ 2,991,995
Capital Assets Depreciated:			
Buildings and Improvements	$ 28,119,117	$ 0	$ 28,119,117
Other Capital Assets	8,085,233	360,929	8,446,162
Total Capital Assets Depreciated	$ 36,204,350	$ 360,929	$ 36,565,279
Less Accumulated Depreciation For:			
Buildings and Improvements	$ 17,947,146	$ 529,440	$ 18,476,586
Other Capital Assets	5,867,875	380,044	6,247,919
Total Accumulated Depreciation	$ 23,815,021	$ 909,484	$ 24,724,505
Total Capital Assets Depreciated, Net	$ 12,389,329	$ (548,555)	$ 11,840,774
Governmental Activities Capital Assets, Net	$ 13,876,158	$ 956,611	$ 14,832,769

There were no decreases in capital assets to report during the year ended June 30, 2018. Depreciation expense was charged to functions of the discretely presented McNairy County School Department as follows:

Governmental Activities:

Instruction	$ 585,845
Support Services	303,968
Operation of Non-instructional Services	19,671
Total Depreciation Expense - Governmental Activities	$ 909,484

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste/Sanitation	$ 3,272
"	Nonmajor governmental	780

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

Advances to/from Funds

Receivable Fund	Payable Fund	Amount
General Debt Service	General	$ 500,000

The balance of $500,000 due to the General Debt Service Fund from the General Fund resulted from an advance to the General Fund to finance the acquisition of property to be used for the Health Department and other county services.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following amounts:

Discretely Presented McNairy County School Department

Transfer Out	Transfer In General Purpose School Fund	Purpose
Nonmajor governmental fund	$ 37,006	Indirect costs

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

D. Capital Leases

On October 6, 2017, McNairy County entered into a two-year lease-purchase agreement for six cars for the Sheriff's Department. The terms of the agreement require total lease payments of $167,982 plus interest of 4.75 percent. Title to the cars transfers to McNairy County at the end of the lease period. The lease payments are made from the General Fund.

On December 1, 2017, McNairy County entered into a three-year lease-purchase agreement for clean energy lighting upgrades for county facilities. The terms of the agreement require total lease payments of $176,382 plus interest of 4.746 percent. Title to the upgrades transfers to McNairy County immediately upon acceptance of each upgrade. The lease payments are made from the General Fund. In the government-wide financial statements, the upgrades were expensed in the year of acquisition because those items did not meet criteria of the county's capitalization policy.

On December 28, 2017, McNairy County entered into a two-year lease-purchase agreement for a car for the Sheriff's Department. The terms of the agreement require total lease payments of $28,002 plus interest of 4.75 percent. Title to the car transfers to McNairy County at the end of the lease period. The lease payments are made from the General Fund.

The assets acquired through capital leases are as follows:

Assets		Governmental Activities
Other Capital Assets	$	372,366
Less: Accumulated Depreciation		(31,264)
Total Book Value	$	341,102

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30		Governmental Funds
2019	$	132,807
2020		132,808
Total Minimum Lease Payments	$	265,615
Less: Amount Representing Interest		(21,154)
Present Value of Minimum Lease Payments	$	244,461

E. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

McNairy County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 29 years for bonds and 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2018, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
General Obligation Bonds	2 to 4.75%	6-1-46	$ 20,312,750	$ 19,475,143
General Obligation Bonds - Refunding	2 to 4.5	6-1-46	9,990,000	3,640,000
Capital Outlay Notes	0 to 3.67	6-1-30	3,346,560	2,785,117
Capital Leases	4.746 to 4.75	6-1-20	372,366	244,461

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2018, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2019	$ 1,024,956	$ 763,580	$ 1,788,536
2020	437,027	730,195	1,167,222
2021	648,789	720,432	1,369,221
2022	569,371	697,451	1,266,822
2023	545,000	672,782	1,217,782
2024-2028	3,535,000	2,957,693	6,492,693
2029-2033	3,100,000	2,505,131	5,605,131
2034-2038	4,170,000	1,948,705	6,118,705
2039-2043	4,885,000	1,221,538	6,106,538
2044-2047	4,200,000	345,833	4,545,833
Total	$ 23,115,143	$ 12,563,340	$ 35,678,483

Year Ending June 30	Notes Principal	Notes Interest	Notes Total
2019	$ 296,289	$ 63,468	$ 359,757
2020	296,289	52,411	348,700
2021	296,290	46,581	342,871
2022	290,139	40,749	330,888
2023	267,778	35,115	302,893
2024-2028	1,138,332	101,484	1,239,816
2029-2030	200,000	11,010	211,010
Total	$ 2,785,117	$ 350,818	$ 3,135,935

There is $3,552,968 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $886, based on the 2010 federal census. Total debt per capita, including bonds, notes, capital leases, and unamortized debt premiums, totaled $1009, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2017	$ 8,919,276	$ 1,726,406	$ 3,576
Additions	15,475,000	1,250,000	372,366
Reductions	(1,279,133)	(191,289)	(131,481)
Balance, June 30, 2018	$ 23,115,143	$ 2,785,117	$ 244,461
Balance Due Within One Year	$ 1,024,956	$ 296,289	$ 118,717

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Net OPEB Liability*
Balance, July 1, 2017	$ 121,466	$ 511,024	$ 68,479
Additions	132,322	8,757	9,287
Reductions	(112,236)	(24,501)	(2,227)
Balance, June 30, 2018	$ 141,552	$ 495,280	$ 75,539
Balance Due Within One Year	$ 82,144	$ 24,500	$ 0

*Restated Balance - See Note I.D.9.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	$ 26,857,092
Less: Balance Due Within One Year	(1,546,606)
Add: Unamortized Premium on Debt	156,338
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 25,466,824

Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund. The net OPEB liability will be paid from the Highway/Public Works Fund.

Discretely Presented McNairy County School Department

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Net OPEB Liability*
Balance, July 1, 2017	$ 19,780,782
Additions	2,219,280
Reductions	(2,305,806)
Balance, June 30, 2018	$ 19,694,256
Balance Due Within One Year	$ 0

*Restated Balance - See Note I.D.9.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	$ 19,694,256
Less: Balance Due Within One Year	0
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 19,694,256

The net OPEB liability will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the McNairy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both 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, 2018, were

$91,759 and $54,452, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

During the year, McNairy County borrowed $500,000 from the General Debt Service Fund to provide temporary operating funds for the General Fund. This loan was retired prior to June 30, 2018, as required by state statutes, and therefore has not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2018, was as follows:

	Balance 7-1-17	Issued	Paid	Balance 6-30-18
Tax Anticipation Notes	$ 0	$ 500,000	$ (500,000)	$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

McNairy County is exposed to various risks related to general liability, property, and casualty losses. The county participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding $100,000 for each insured event.

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

The employees of McNairy County (excluding the Highway Department) are provided health insurance through the purchase of commercial insurance. Retirees are not allowed to continue coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Discretely Presented McNairy County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements;* Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

C. Contingent Liabilities

The attorneys for the county and the School Department advised of several pending lawsuits involving McNairy County. However, they estimate that any potential claims not covered by insurance resulting from such litigation should not materially affect the county or the School Department's financial statements.

D. Change in Administration

On May 20, 2018, Wayne Henry left the Office of Director of Schools and was succeeded by Greg Martin on May 21, 2018.

E. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. McNairy County closed its sanitary landfill in 1998. The $495,280 reported as postclosure care liability at June 30, 2018, represents amounts based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Jointly Governed Organization

The West Tennessee Railroad Authority (WTRA) was created by Gibson County in conjunction with the counties of Chester, Madison, McNairy, and Weakley. The WTRA's board includes the mayors of Chester, Gibson, Madison, McNairy, and Weakley counties, and one at-large member from each of these areas. However, the counties do not have any ongoing financial interest or responsibility for the entity.

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of McNairy County and non-certified employees of the discretely presented McNairy County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 43 percent and the non-certified employees of the discretely presented School Department comprised 57 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. 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, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	134
Inactive Employees Entitled to But Not Yet Receiving Benefits	378
Active Employees	356
Total	868

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. McNairy 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, 2018, the employer contribution for McNairy County was $405,466 based on a rate of 5.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept McNairy County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (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)

McNairy County's net pension liability (asset) was measured as of June 30, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 McNairy 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)	Pension Liability (Asset) (a)-(b)
Balance, July 1, 2016	$ 15,652,827	$ 16,330,217	$ (677,390)
Changes for the year:			
Service Cost	$ 581,519	$ 0	$ 581,519
Interest	1,193,154	0	1,193,154
Differences Between Expected and Actual Experience	18,203	0	18,203
Changes in Assumptions	614,108	0	614,108
Contributions-Employer	0	412,547	(412,547)
Contributions-Employees	0	392,901	(392,901)
Net Investment Income	0	1,857,916	(1,857,916)
Benefit Payments, Including Refunds of Employee Contributions	(651,243)	(651,243)	0
Administrative Expense	0	(30,723)	30,723
Other Changes	0	240	(240)
Net Changes	$ 1,755,741	$ 1,981,638	$ (225,897)
Balance, June 30, 2017	$ 17,408,568	$ 18,311,855	$ (903,287)

Allocation of Agent Plan Changes in the Net Pension Liability

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	43.00%	$ 7,485,684	$ 7,874,098	$ (388,413)
School Department	57.00%	9,922,884	10,437,757	(514,874)
Total		$ 17,408,568	$ 18,311,855	$ (903,287)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of McNairy County calculated using the discount rate of 7.25 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

McNairy County	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability (Asset)	$ 1,186,327	$ (903,287)	$ (2,655,807)

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

Pension Expense. For the year ended June 30, 2018, McNairy County recognized pension expense of $107,730.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, McNairy 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	$ 14,562	$ 356,438
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	7,119
Changes in Assumptions	491,286	
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	405,466	N/A
Total	$ 911,314	$ 363,557

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," 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	$ 391,853	$ 156,329
School Department	519,461	207,228
Total	$ 911,314	$ 363,557

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
2019	$ (75,119)
2020	155,263
2021	61,391
2022	756
2023	0
Thereafter	0

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

Discretely Presented McNairy County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of McNairy County and non-certified employees of the discretely presented McNairy County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 43 percent and the non-certified employees of the discretely presented School Department comprised 57 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

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 for 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, 2018, to the Teacher Retirement Plan were $84,335, 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, 2018, the School Department reported a liability (asset) of ($74,880) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the 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, 2017, the School Department's proportion was .283812 percent. The proportion as of June 30, 2016, was .226590 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of $33,597.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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	$ 2,624	$ 5,632
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	4,029
Changes in Assumptions	6,578	0
Changes in Proportion of Net Pension Liability (Asset)	1,711	6,355
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	84,335	N/A
Total	$ 95,248	$ 16,016

The McNairy County School Department's employer contributions of $84,335, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2019. 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
2019	$ (724)
2020	(724)
2021	(955)
2022	(1,991)
2023	(91)
Thereafter	618

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 School

Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability (Asset)	$ 14,939	$ (74,880)	$ (140,763)

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 McNairy 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 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. 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 McNairy County School Department for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were $1,424,893, which is 9.08 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, 2018, the School Department reported a liability (asset) of ($144,827) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the 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, 2017, the School Department's proportion was .442650 percent. The proportion measured at June 30, 2016, was .447117 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of $26,102.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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	$ 87,312	$ 2,990,011
Changes in Assumptions	1,226,606	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	21,984	0
Changes in Proportion of Net Pension Liability (Asset)	114,413	53,717
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	1,424,893	N/A
Total	$ 2,875,208	$ 3,043,728

The McNairy County School Department's employer contributions of $1,424,832 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ending June 30, 2019. 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
2019	$ (1,011,888)
2020	469,726
2021	(348,813)
2022	(702,438)
2023	0
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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability (Asset)	$ 12,995,171	$ (144,827)	$ (11,005,902)

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**

Teachers hired after July 1, 2014, by the School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year, the School Department contributed $103,351 and teachers contributed $17,000 to this deferred compensation pension plan.

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

The McNairy County Highway Department and the discretely presented McNairy County School Department provide OPEB benefits to its retirees through state administered public entity risk pools. For reporting purposes, the plans are considered a single employer defined benefit OPEB plan based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plans are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

OPEB Provided through State Administered Public Entity Risk Pools

Retirees of the McNairy County Highway Department are provided healthcare under the Local Government Plan (LGP) until they reach Medicare eligibility. Likewise, the School Department provides healthcare benefits to its employees under the Local Education Plan (LEP) until they reach Medicare eligibility. The certified retirees of the McNairy County School Department may then join the Tennessee Plan – Medicare (TNM), which provides supplemental medical insurance for retirees with Medicare.

The Highway Department and School Department's total OPEB liability for each plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2017, TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	LGP and LEP - Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing over a 33-year period to an ultimate trend rate of 3.53% with .18% added to approximate the effect of the excise tax TNM - The premium subsidies provided to retirees by the state are assumed to remain unchanged for the entire projection. Subsidies provided by the employer are assumed to increase as the premiums set by the TN plan increase. Those are expected to increase 4.6% for 2019 and grade down to the ultimate level of 3.53% over a period of 33 years.
Retirees Share of Benefit Related Cost	Discussed under each plan

The discount rate was 3.56 percent, based on the daily rate of Fidelity's 20-Year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Changes in Assumptions. The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

Closed Local Government OPEB Plan (Primary Government)

Plan Description. Employees of the McNairy County Highway Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government Plan (LGP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The McNairy County Highway Department offers the LGP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with *TCA* 8-27-701 establishes and amends the benefit terms of the LGP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The McNairy County Highway Department does not provide a direct subsidy and is only subject to the implicit subsidy.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	25
Total	25

An insurance committee, created in accordance with *TCA* 8-27-701, establishes the required payments to the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the county paid $1,403 to the LGP for OPEB benefits as they came due.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance July 1, 2016	$ 68,479
Changes for the Year:	
Service Cost	$ 7,081
Interest	2,206
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	0
Changes in Assumption and Other Inputs	(2,227)
Benefit Payments	0
Net Changes	$ 7,060
Balance June 30, 2017	$ 75,539

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the Highway Department recognized OPEB expense of $8,964. At June 30, 2018, the Highway Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions/Inputs	0	1,904
Net Difference Between Projected and Benefits Paid After the Measurement Date	1,403	0
Total	$ 1,403	$ 1,904

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30		Total Amount
2019	$	(323)
2020		(323)
2021		(323)
2022		(323)
2023		(323)
Thereafter		(289)

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Highway Department calculated using the current discount rate as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Discount Rate	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	$ 79,038	$ 75,539	$ 72,093

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Highway Department calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

Healthcare Cost Trend Rate	1% Decrease 6 to 3.77%	Current Rates 7 to 4.77%	1% Increase 8 to 5.77%
Total OPEB Liability	$ 69,433	$ 75,539	$ 82,372

Closed Local Education (LEP) OPEB Plan - Discretely Presented McNairy County School Department

Plan Description. Employees of the McNairy County School Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Education Plan (LEP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired teachers, support staff, and disability participants of local education agencies, who choose coverage, participate in the LEP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The McNairy County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with *TCA* 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. During the year, McNairy County provided direct subsidies of $158 to $1,273 per month toward the cost of the insurance plan selected by the retiree. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees' premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	School Department
Inactive Employees or Beneficiaries Currently Receiving Benefits	26
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	536
Total	562

A state insurance committee, created in accordance with *TCA* 8-27-301, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid $288,787 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	Share of Collective Liability		
	McNairy County School Department 67.827%	State of TN 32.173%	Total OPEB Liability
Balance July 1, 2016	$ 6,011,229	$ 2,851,361	$ 8,862,590
Changes for the Year:			
Service Cost	$ 386,495	$ 183,330	$ 569,825
Interest	183,581	87,080	270,661
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(291,202)	(138,128)	(429,330)
Benefit Payments	(221,383)	(105,010)	(326,393)
Net Changes	$ 57,492	$ 27,271	$ 84,763
Balance June 30, 2017	$ 6,068,721	$ 2,878,632	$ 8,947,353

The McNairy County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The McNairy County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized $257,379 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the McNairy County School Department's proportionate share of the collective OPEB liability was 67.827% and the State of Tennessee's share was 32.173%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of $799,983, including the state's share of the expense. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions/Inputs	0	263,729
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	288,787	0
Total	$ 288,787	$ 263,729

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	$ (27,472)
2020	(27,472)
2021	(27,472)
2022	(27,472)
2023	(27,472)
Thereafter	(126,369)

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

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

Discount Rate	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Proportionate Share of the Collective Total OPEB Liability	$ 6,527,080	$ 6,068,721	$ 5,631,088

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

Healthcare Cost Trend Rate	1% Decrease 6.5 to 2.71%	Current Rates 7.5 to 3.71%	1% Increase 8.5 to 4.71%
Proportionate Share of the Collective Total OPEB Liability	$ 5,339,451	$ 6,068,721	$ 6,939,712

Closed Tennessee Plan – Medicare (Discretely Presented School Department)

Plan Description. Employees of the McNairy County School Department, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan - Medicare (TNM) administered by the Tennessee Department of Finance and Administration. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNM. The TNM also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The School Department's total OPEB liability for the TNM Plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Benefits Provided. The state offers the TNM to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNM does not include pharmacy. In accordance with *TCA* 8-27-209, benefits of the TNM are established and amended by cooperation of insurance committees created by

TCA Sections 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The McNairy County School Department provides a subsidy of $88 per month for retirees with 30 or more years of service, retirees with 20-29 years of service receive $101, and retirees with 10-19 years of service receive $113 to $138. The state, as a governmental nonemployer contributing entity, contributes to the premiums of eligible retirees of local education agencies based on years of service. The State of Tennessee provides a subsidy of $50 per month for retirees with 30 or more years of service, retirees with 20-29 years of service receive $37.50, and retirees with 15-19 years of service receive $25.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	School Department
Inactive Employees or Beneficiaries Currently Receiving Benefits	106
Inactive Employees Entitled to But Not Yet Receiving Benefits	24
Active Employees	536
Total	666

In accordance with *TCA* 8-27-209, the state insurance committees established by *TCA* Sections 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. For the fiscal year ended June 30, 2018, the School Department paid $131,783 to the TNM for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	Share of Collective Liability		
	McNairy County School Department 89.633%	State of TN 10.367%	Total OPEB Liability
Balance July 1, 2016	$ 13,769,553	$ 1,592,611	$ 15,362,164
Changes for the Year:			
Service Cost	$ 1,214,020	$ 140,416	$ 1,354,436
Interest	435,182	50,334	485,516
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(1,633,047)	(188,881)	(1,821,928)
Benefit Payments	(160,174)	(18,526)	(178,700)
Net Changes	$ (144,019)	$ (16,657)	$ (160,676)
Balance June 30, 2017	$ 13,625,535	$ 1,575,953	$ 15,201,488

The McNairy County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retirees participating in the TNM. The McNairy County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized $169,527 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TMN for School Department retirees.

During the year, the McNairy County School Department's proportionate share of the collective OPEB liability was 89.633 percent and the State of Tennessee's share was 10.367 percent.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of $1,635,241 including the state's share of the OPEB expense.

At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions/Inputs	0	1,449,558
Benefits Paid After the Measurement Date	131,783	0
Total	$ 131,783	$ 1,449,558

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	$ (183,488)
2020	(183,488)
2021	(183,488)
2022	(183,488)
2023	(183,488)
Thereafter	(532,118)

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

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the TNM, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

Discount Rate	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Proportionate Share of the Collective Total OPEB Liability	$ 16,263,651	$ 13,625,535	$ 11,440,792

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

Healthcare Cost Trend Rate	1% Decrease 3.6 to 2.53%	Current Rates 4.6 to 3.53%	1% Increase 5.6 to 4.53%
Proportionate Share of the Collective Total OPEB Liability	$ 10,846,613	$ 13,625,535	$ 17,386,818

I. Purchasing Laws

Office of County Mayor

Chapter 171, Private Acts of 1990, provides for the county mayor to serve as purchasing agent for McNairy County and to award all contracts for purchases for all departments, excluding purchases made from county highway or county education funds. Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated* (*TCA*), which provide for purchases exceeding $10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Highway Commissioner

Section 54-7-113, *TCA*, (Uniform Road Law), governs purchasing procedures for the Highway Department. This statute requires all purchases exceeding $10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

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

J. **Subsequent Events**

On August 31, 2018, Ronnie Brooks left the Office of County Mayor and was succeeded by Larry Smith on September 1, 2018.

On September 24, 2018, the county's General Debt Service Fund issued a $250,000 tax anticipation note to the General Fund for temporary operating funds.

VI. OTHER NOTES – DISCRETELY PRESENTED McNAIRY COUNTY AIRPORT AUTHORITY

A. General Information

1. GASB Conformity

The McNairy County Airport Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

2. Financial Reporting Entity

The authority is a component unit of McNairy County, Tennessee, and is governed by a board of directors appointed by the county government. The authority is responsible for financing, developing, and operating McNairy County's public airport. The McNairy County Commission approves the operating budget of the authority and has provided regular operating subsidies to the authority in the past.

3. Fund Accounting

The accounts of the authority are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements in this report fall under one broad category as follows:

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recognized when earned, and expenses are recognized when incurred. The authority has defined nonoperating revenues to be revenues that are not generated from daily operations. Capital contributions are nonoperating revenues.

2. Capital Assets

All capital assets of the authority are recorded at original cost. Expenses that materially increase values or capacities, or extend useful lives of these assets, are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. These depreciable capital assets are being depreciated over various estimated useful lives on a straight-line basis. Any interest incurred in preparing or acquiring a capital asset for use is included in its cost. The authority has not adopted a capitalization threshold policy.

3. Cash Equivalents

Cash and cash equivalents include demand deposit accounts. Restricted cash consists of deposits held in an escrow account to fund the authority's local matching requirement for the ongoing authority grant projects and deposits in other local bank accounts for the retainage due on several projects.

4. Inventory

Inventory consists of fuel. Cost is determined using the first-in first-out method.

C. Cash and Investments

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. government or government agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the authority must have a written collateral agreement approved by the board of directors or loan committee.

The authority's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 105 percent of all amounts not covered by federal deposit insurance.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority requires any bank deposits to be insured by the Federal Deposit Insurance Corporation (FDIC), and any deposit in excess of FDIC coverage shall be collateralized by acceptable securities pledged for said purpose and an agreement between the bank of deposit and the authority shall be executed. As of June 30, 2018, the authority's bank balances were not exposed to custodial credit risk because they were insured and collateralized.

The authority also has $9,279 in an escrow account with the State of Tennessee.

D. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Description	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	$ 91,331	$ 0	$ 0	$ 91,331
Construction in Progress	402,375	1,550	402,375	1,550
Total Capital Assets Not Depreciated	$ 493,706	$ 1,550	$ 402,375	$ 92,881
Capital Assets Depreciated:				
Airport	$ 5,992,625	$ 484,440	$ 3,500	$ 6,473,565
Building	196,238	0	0	196,238
Equipment	216,254	15,505	0	231,759
Vehicles	29,400	0	0	29,400
Total Capital Assets Depreciated	$ 6,434,517	$ 499,945	$ 3,500	$ 6,930,962
Less Accumulated Depreciation For:				
Airport	$ 2,167,333	$ 235,514	$ 0	$ 2,402,847
Building	71,955	4,906	0	76,861
Equipment	202,617	10,350	0	212,967
Vehicles	12,924	4,380	0	17,304
Total Accumulated Depreciation	$ 2,454,829	$ 255,150	$ 0	$ 2,709,979
Total Capital Assets, Net	$ 4,473,394	$ 246,345	$ 405,875	$ 4,313,864

E. Risk Management

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded this commercial coverage in any of the past three years.

F. Net Position Flow Assumption

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

Net position is displayed in three components:

1. 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 improvements of those assets.

2. 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.

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

G. Unearned Revenues – Rent

The hospital prepaid hangar rent for 15 years to aid in construction of a new hangar. The authority has recorded the appropriate amount as unearned rent and is recognizing the rent revenue as it is earned.

H. Construction and Other Significant Commitments

The authority has one significant commitment on a construction project for hangar rehabilitation. This project has estimated costs of $185,000. It is to be funded with $175,750 from grant funds and $9,250 from the authority's local share. The authority had $1,550 recorded as construction in progress for this project at June 30, 2018.

Copies of the complete financial statements of the County for the current Fiscal Year are available at https://www.comptroller.tn.gov/office-functions/la/reports/audit-reports.html.