NEW ISSUE
Book-Entry-Only

PRELIMINARY OFFICIAL STATEMENT

$10,000,000*

HAWKINS COUNTY, TENNESSEE

General Obligation Refunding and Improvement Bonds, Series 2016

OFFERED FOR SALE NOT SOONER THAN

Thursday, April 28, 2016 at 10:15 a.m., E.D.T.
Through the Facilities of ***PARITY®***

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

Cumberland Securities Company, Inc.
Financial Advisor

______, 2016

* Preliminary, subject to change.

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: Moody's – "Aa3"
(See "MISCELLANEOUS-Rating")

PRELIMINARY OFFICIAL STATEMENT DATED ______, 2016

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

$10,000,000*
HAWKINS COUNTY, TENNESSEE
General Obligation Refunding and Improvement Bonds, Series 2016

Dated: Date of delivery (assume May 26, 2016). Due: June 1 (as shown below)

The $10,000,000* General Obligation Refunding and Improvement Bonds, Series 2016 (the "Bonds") of Hawkins County, Tennessee (the "County" or the "Issuer") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2016 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. See section entitled "SECURITIES OFFERED – Security".

Bonds maturing June 1, 2024 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2023.

Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**	Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**
2017	$ 235,000				2026	$ 440,000			
2018	600,000				2027	435,000			
2019	620,000				2028	460,000			
2020	605,000				2029	465,000			
2021	625,000				2030	500,000			
2022	480,000				2031	525,000			
2023	990,000				2032	565,000			
2024	975,000				2033	515,000			
2025	965,000								

(Accrued Interest to be added)

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the County by James Phillips, III, Esq., counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about May __, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

April _, 2016

* Preliminary, subject to change

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

This Preliminary Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Preliminary Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Preliminary Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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

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

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

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

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

HAWKINS COUNTY, TENNESSEE

COUNTY OFFICIALS

Honorable Melville Bailey	*County Mayor*
Nancy Davis	*County Clerk*
Jim Shanks	*County Trustee*
James Phillips, III	*County Attorney*
Jeff Thacker	*Assessor of Property*
Nicole Buchanan	*Budget and Finance Manager*

BOARD OF COUNTY COMMISSIONERS

Danny Alvis
Shane Bailey
Jeff Barrett
Rick Brewer
Dwight Carter
Fred Castle
Eugene Christian
B.D. Cradic
Glenda Davis
Dawson Fields
Greg Flecher
Darrell Gilliam
Michael Herrell
Linda Kimbro
Mark Linkus
Joe McLain
John Metz
Charlie Newton
Robert Palmer
Syble Vaughn Trent
Stacy Vaughan

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Glankler Brown, PLLC
Memphis, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

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

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

Securities Offered .... $10,000,000* General Obligation Refunding and Improvement Bonds, Series 2016 (the "Bonds") of the County, dated the date of delivery (estimated to be May 26, 2016). The Bonds will mature each June 1 beginning June 1, 2017 through June 1, 2033, inclusive. See the section entitled "SECURITIES OFFERED – Authority and Purpose".

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

Purpose .... The Bonds are being issued for the purposes of providing funds for the (i) making certain 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, the acquisition of equipment for the public works and public safety departments of the Issuer, including but not limited to solid waste equipment (collectively the "Project"); (ii) refinancing of a portion of the Refunded Obligations (as described herein), and (iii) the payment of costs incident to the issuance of the Bonds.

Optional Redemption .... The Bonds are subject to optional redemption prior to maturity on or after June 1, 2023, in whole or in part at any time, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".

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

Bank Qualification .... The Bonds will be treated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.

Rating .... Moody's Investment Services: "Aa3". See the section entitled "MISCELLANEOUS - Rating" for more information.

Underwriter .... ________________________________, __________, ______________.

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

* Preliminary, subject to change.

Bond Counsel ....Glankler Brown, PLLC, Memphis, Tennessee.

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 System"

Paying and 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 this *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the County or this *Preliminary Official Statement* contact Mr. Melville Bailey, County Mayor, 150 East Washington Street, Suite 2, Rogersville, Tennessee 37857, (423) 272-7359, or the County's Financial Advisor, Cumberland Securities Company, Inc., 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

	2011	2012	2013	2014	2015
Beginning Fund Balance	$ 3,098,825	$ 3,919,440	$5,415,371	6,273,214	5,818,756
Revenues	12,245,000	13,485,540	14,024,069	14,410,310	15,131,384
Expenditures	11,390,271	12,109,158	13,369,197	14,798,885	14,747,761
Other Financing Sources:					
Other Loans or Leases Issued	-	-	303,676	-	-
Insurance Recovery	70,769	209,389	12,343	47,181	61,191
Transfers In	12,500	3,254	-	-	-
Transfers Out	(117,589)	(93,094)	(113,048)	(113,064)	(238,071)
Ending Fund Balance	**$3,919,440**	**$5,415,371**	**$6,273,214**	**$5,818,756**	**$6,025,499**

Source: Comprehensive Annual Financial Reports of the County.

NOTICE OF SALE

$10,000,000*
HAWKINS COUNTY, TENNESSEE

General Obligation Refunding and Improvement Bonds, Series 2016

NOTICE IS HEREBY GIVEN that the County Mayor of Hawkins 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 $10,000,000* General Obligation Refunding and Improvement Bonds, Series 2016 (the "Bonds") by the County's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863, until **10:15 a.m. E.D.T.** on **Thursday, April 28, 2016**. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY***® System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the ***PARITY***® System.

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

The Bonds will be issued in book-entry form (except as otherwise described in the "Detailed Notice of Sale") and dated their date of issuance and delivery (assume May 26, 2016) and will mature on June 1, 2017 through June 1, 2033, inclusive with term bonds optional, and will be subject to redemption prior to maturity on or after June 1, 2023. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the County Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the undersigned, the Honorable Melville Bailey, County Mayor, 150 East Washington Street, Suite 2, Rogersville, Tennessee 37857, (423) 272-7359 or from the County's Financial Advisor, Cumberland Securities Company, Inc., 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/ Melville Bailey
County Mayor

* Preliminary, subject to change

DETAILED NOTICE OF SALE

$10,000,000*
HAWKINS COUNTY, TENNESSEE
General Obligation Refunding and Improvement Bonds, Series 2016

NOTICE IS HEREBY GIVEN that electronic or written bids will be received by the County Mayor of Hawkins County, TENNESSEE (the "County" or "Issuer"), all or none, until **10:15 a.m. E.D.T.** on **Thursday, April 28, 2016**. (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 $10,000,000* General Obligation Refunding and Improvement Bonds, Series 2016 (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 Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY***® System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the ***PARITY***® System.

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

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

Year	Amount*	Year	Amount*
2017	$ 235,000	2026	$ 440,000
2018	600,000	2027	435,000
2019	620,000	2028	460,000
2020	605,000	2029	465,000
2021	625,000	2030	500,000
2022	480,000	2031	525,000
2023	990,000	2032	565,000
2024	975,000	2033	515,000
2025	965,000		

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

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the "Book-Entry-Only System"). One or more fully-registered bond certificates (the "Bond Certificates") will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount

* Preliminary, Subject to change

of $5,000 for the Bonds and any integral multiple of $5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC, pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity, to DTC or its nominee, as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only System is not required.

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

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

Purpose. The Bonds are being issued for the purposes of providing funds for the (i) making certain 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, the acquisition of equipment for the public works and public safety departments of the Issuer, including but not limited to solid waste equipment (collectively the "Project"); (ii) refinancing of a portion of the Refunded Obligations (as described herein), and (iii) the payment of costs incident to the issuance of the Bonds.

Optional Redemption. The Bonds maturing on and after June 1, 2024 will be subject to redemption prior to maturity at the option of the County on and after June 1, 2023, in whole or in part at any time, at the redemption price of par plus accrued interest as provided herein.

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

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

Separate written bids should be submitted by facsimile to the County's Financial Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

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

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

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

Adjustment and/or Revision. While it is the County's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to $2,500,000. The primary factor to be considered in such adjustment is the amount of premium that is bid. Among other factors the County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the 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 revision will occur if the winning bidder bids the maximum price.

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

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

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

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

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

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

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);

2. Selling compensation (aggregate total anticipated compensation to the underwriter(s) expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);

3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and

4. Any other material information necessary to complete the *Official Statement* in final form but not known to the County.

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

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

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

Continuing Disclosure. At the time the Bonds are delivered, the County will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information 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 May 26, 2016.

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 Financial Advisor, Cumberland Securities Company, Inc., 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/ Melville Bailey, County Mayor

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BID FORM
(Written Alternative)

Honorable Melville Bailey, County Mayor — April 20, 2016
150 East Washington Street, Suite 2
Rogersville, Tennessee 37857

Dear Mayor Bailey:

For your legally issued, properly executed $10,000,000* General Obligation Refunding and Improvement Bonds, Series 2016 (the "Bonds") of Hawkins 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 26, 2016) 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:

June 1 Year	Amount*	Rate	June 1 Year	Amount*	Rate
2017	$ 235,000	______%	2026	$ 440,000	______%
2018	600,000	______%	2027	435,000	______%
2019	620,000	______%	2028	460,000	______%
2020	605,000	______%	2029	465,000	______%
2021	625,000	______%	2030	500,000	______%
2022	480,000	______%	2031	525,000	______%
2023	990,000	______%	2032	565,000	______%
2024	975,000	______%	2033	515,000	______%
2025	965,000	______%			

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_______ @ _______%.
Term Bond 7: Maturities from June 1, 20_______ through June 1, 20_______ @ _______%.
Term Bond 8: Maturities from June 1, 20_______ through June 1, 20_______ @ _______%.

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

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

Accepted for and on behalf of the
Hawkins County, Tennessee, this
20th day of April, 2016.

____
Melville Bailey, County Mayor

Respectfully submitted,
____
____

Total interest cost from
May 26, 2016 to final maturity $___
Less: Premium /plus discount, if any $_________________
Net Interest Cost .... $_________________
True Interest Rate .... _______%

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

* Preliminary, subject to change

$10,000,000*
HAWKINS COUNTY, TENNESSEE
General Obligation Refunding and Improvement Bonds, Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Hawkins County, Tennessee (the "County" or "Issuer") of its $10,000,000* General Obligation Refunding and Improvement Bonds, Series 2016 (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 March 28, 2016.

The Bonds are being issued for the purposes of providing funds for the (i) making certain 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, the acquisition of equipment for the public works and public safety departments of the Issuer, including but not limited to solid waste equipment (collectively the "Project"); (ii) refinancing of a portion of the Refunded Obligations (as described herein), and (iii) the payment of costs incident to the issuance 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 26, 2016). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2016. The Bonds are issuable in book-entry only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

* Preliminary, subject to change

REFUNDING PLAN

The County intends to refinance all or a portion of the County's outstanding (i) Loan Agreement, Series B-15-A, dated May 15, 2008 and the related bonds, Local Government Public Improvement Bonds, Series B-15-A (Hawkins County) issued by the Public Building Authority of Blount County, Tennessee, dated May 15, 2008 maturing June 1, 2021 and thereafter which are callable at par on June 1, 2018 (the "Series B-15-A Bonds") and (ii) General Obligation Bonds, Series 2007, dated December 20, 2007 maturing on June 1, 2018 and thereafter (the "Series 2007 Bonds", together with the Series B-15-A Bonds, "Refunded Obligations").

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

SECURITY

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

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

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

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 upon issuance the Bonds will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION OF THE BONDS

Bonds maturing on June 1, 2024 and thereafter shall be subject to redemption prior to maturity at the option of the County on June 1, 2023 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

MANDATORY REDEMPTION

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

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

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) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

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 County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City 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, if applicable, 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 dated date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar.

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

DISPOSITION OF BOND PROCEEDS

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

(a) all accrued interest shall be deposited into the Bond Fund of the Issuer and used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;

(b) the Issuer shall pay, or cause to be paid, all costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Registration Agent fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Bonds; and

(c) the Issuer shall deposit the funds allocated to the Project with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the Series 2016 Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the Mayor to be kept separate and apart from all other funds of the County, and

(d) the balance of the proceeds will be used for the purpose of providing for the payment of the principal of and interest on the Refunded Obligations, the County Mayor is hereby authorized and directed to execute and the County Clerk to attest on behalf of the Issuer a refunding escrow agreement (the "Refunding Escrow Agreement") with Regions Bank, Nashville, Tennessee as the escrow agent (the "Escrow Agent") and to deposit with the Escrow Agent all or a portion of the Bond proceeds and other funds of the Issuer legally available therefor. Said funds will be used by the Escrow Agent to purchase the Permitted Securities as provided in the Refunding Escrow Agreement; provided, however, that the yield on such investments shall be determined in such manner that none of the Bonds will be an "arbitrage bond" within the meaning of Section 148(a) of the Code. The Escrow Agent is hereby authorized to hold and administer all funds deposited in trust for the payment when due of principal of and interest on the Refunded Obligations and to exercise the duties set forth in the Refunding Escrow Agreement. The County Commission of the Issuer has authorized the County Mayor to subscribe for the purchase of Permitted Securities for deposit pursuant to the Refunding Escrow Agreement.

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the 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 (defined herein) deposited as aforesaid.

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

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

Moody's Investment Services ("Moody's") has given the Bonds the rating of "Aa3".

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

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

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on April 28, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated ______, 2016.

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

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any further debt.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. (see DEBT STRUCTURE - Indebtedness and Debt Ratios for additional information.)

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a continuing disclosure certificate (the "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, 2015 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the " Rule 15c2-12").

Five-Year Filing History. In the past five years, the County has filed its Annual Reports at www.emma.msrb.org under the base CUSIP Number 420218 which is the base CUSIP Number for the County; however, the County inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the County was an obligated person. The County has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Number. While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with 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-12;

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-13 and B-14;

3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as shown on page B-15;

4. The fund balances and retained earnings for the fiscal year as shown on page B-16;

5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-17;

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-23;

8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-23; and

9. The ten largest taxpayers as shown on page B-24.

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

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

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

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

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders, if material;

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

   i. Defeasances;

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

   k. Rating changes;

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

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

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

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

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

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

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

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

The County has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF ISSUER

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

/s/ ______________________________
County Mayor

ATTEST:

/s/ ______________________________
County Clerk

APPENDIX A

PROPOSED FORM OF LEGAL OPINION

[LETTERHEAD OF GLANKLER BROWN, PLLC]

(Date of Closing)

Board of County Commissioners
of Hawkins County, Tennessee
150 East Washington Street, Suite 2
Rogersville, Tennessee 37857

Re: $________ General Obligation Refunding and Improvement Bonds, Series 2016 of Hawkins County, Tennessee

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Hawkins County, Tennessee (the "County"), of $_________ aggregate principal amount of its General Obligation Refunding and Improvement Bonds, Series 2016 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

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

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

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on

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

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

4. The Bonds have been designated 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

Hawkins County (the "County") is situated in North East Tennessee. It is bordered by Sullivan, Washington, Green, Hamblen, Grainger and Hancock counties. The Town of Rogersville is the County seat. Other incorporated towns within the County are Bulls Gap, Church Hill, Kingsport (a portion is also located in Sullivan County) Mount Carmel, and Surgoinsville.

GENERAL

The land area of the County is approximately 480 square miles. The County is the site of numerous recreational facilities: The Ebbing and Flowing Springs, which is one of only two springs in the world that exhibits tidal characteristics. There are three parks, several historic districts and museums, and three golf courses. Hawkins County is also the home of the oldest Masonic Lodge in the State of Tennessee.

Kingsport is part of the Kingsport-Bristol Metropolitan Statistical Area (the "MSA"). According to the 2010 Census, the MSA has a population of 308,662. The cities in the MSA include Kingsport, Bristol, Tennessee and Bristol, Virginia. The Counties include Hawkins and Sullivan Counties in Tennessee. In 2004 the Tri-Cities MSA that included Johnson City was split into two MSAs, the Johnson City MSA and the Kingsport-Bristol MSA.

The City is also part of the Tri-Cities Combined Statistical Area (the "CSA") of Northeast Tennessee and Southwest Virginia. According to the 2010 Census, the CSA has a population of 509,669. The CSA is unusual in that there is no dominant central city, but Johnson City is the lead city. Other major cities in the CSA include Johnson City, Elizabethton, Jonesborough and Bristol, Tennessee and Bristol, Virginia. According to the 2010 US Census the County had a population of 56,833 and Rogersville had a population of 4,240.

TRANSPORTATION

The County is served by the Norfolk/Southern and CSX Railroads. Highway transportation is provided by State highways 66 and 70 and Federal highway 11W. Interstate 181 is within ten miles of the County, Interstate 81 is fifteen miles from the County, and Interstate 40 is thirty-five miles from the County. There are forty-five motor freight companies with one terminal facility. The nearest navigable waterway, the Tennessee River in Knoxville, is sixty miles away.

EDUCATION

Hawkins County School System has seventeen schools with a fall 2014 enrollment of 7,169 and 475 teachers. The System consists of twelve elementary schools, three middle schools, two high schools with one adult education facility and an early childhood learning center. *Rogersville*

City School was first built in 1923 and now serves grades 1-8 with a fall 2014 enrollment of 647 and 43 teachers.

Kingsport City Schools serves the residents of Kingsport including areas of Sullivan and Hawkins County. The City has thirteen school facilities: eight elementary schools, two middle schools and one high school, an alternative education facility and an early childhood learning center. The fall 2014 enrollment was 7,298 with 468 teachers.

Source: Tennessee Department of Education, Hawkins County Schools, Rogersville City School and Kingsport City Schools.

East Tennessee State University was founded in 1910 in the northeast corner of Tennessee. The 366-acre campus is located in southwest Johnson City, adjacent to the Veterans Administration and the Johnson City Medical Center Hospital. The university offers 74 majors of study in its undergraduate program, 30 degree fields in its master's programs and doctorates in education, education administration, and biomedical sciences. Fall 2014 enrollment was 13,822 students. Extended regional campuses are in Kingsport, Bristol, Elizabethton and Greeneville. In addition, the Quillen College of Medicine offers eight Doctor of Medicine degrees.

Source: East Tennessee State University and TN Higher Education Commission.

The Tennessee Technology Center at Elizabethton Kingsport Site. The Tennessee Technology Center at Elizabethton is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Elizabethton serves the northeast region of the state including Carter, Hawkins, Johnson, Sullivan, Unicoi and Washington Counties. The Technology Center at Elizabethton began operations in 1963, and the main campus is located in Carter County. In October of 1999, the school opened an instructional site in Mountain City, offering Business Systems Technology, and later in Kingsport, offering classes in Practical Nursing. The fall 2013 enrollment was 977 students.

Source: Tennessee Technology Center at Elizabethton/Carter County and TN Higher Education Commission.

Northeast State Technical Community College was founded in 1966 as the Tri-Cities State Area Vocational-Technical. Northeast State is located at Blountville in Sullivan County, Tennessee, and had a fall 2014 enrollment of 5,865 students. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The College serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray, and Kingsport.

Source: Northeast State Technical Community College and TN Higher Education Commission.

Walters State Community College, a public two-year higher education institution founded in 1970, is located in Morristown, Tennessee. The college offers programs of study that lead to the Associate of Science, Associate of Arts, and Associate of Applied Science degrees. Fall 2014 enrollment was 6,031 students. There are four principal campuses in Hamblen, Sevier, Greene, and Claiborne counties.

Walters State serves ten predominantly rural East Tennessee counties in the mountains and foothills of the Great Smokies and Clinch Mountains. The primary service area includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Sevier, and Union.

Source: Walter State Community College and TN Higher Education Commission.

HEALTHCARE

The Tri-Cities area has ten acute-care hospitals and many other healthcare facilities. Mountain States Health Alliance (the "MSHA") is based in nearby Johnson City and has two facilities in Kingsport, the Indian Path Medical Center and the Indian Path Pavilion. The national healthcare system Health South has the facility HealthSouth Rehabilitation Hospital in Kingsport. Wellmont Health System has several facilities in the area. Wellmont has two facilities in Kingsport: the Holston Valley Medical Center and the Wellmont Madison House. Bristol has four Wellmont facilities: the Bristol Regional Medical Center (an acute-care hospital), the Ridgeview Pavilion (a psychiatric facility), the Wellmont Hospice House and a Wellmont Wellness Center. In addition, the East Tennessee State University located in nearby Johnson City has a College of Medicine that brings specialties to the area normally not available in a community of this size.

<u>Mountain States Health Alliance.</u> Mountain States Health Alliance (the "MSHA") is a locally owned and managed healthcare system based in Johnson City. Formed after Johnson City Medical Center Hospital, Inc. acquired six Columbia/HCA hospitals in Northeast Tennessee on September 1, 1998, it received its official name in January 1999. Today, MSHA provides an integrated, comprehensive continuum of care to people in 28 counties in Tennessee, Virginia, Kentucky, and North Carolina. In addition to the six open hospitals, MSHA's integrated health care delivery system includes 21 primary/preventive care centers and 13 outpatient care sites, including First Assist Urgent Care, Medical Center North, Med-One of Tennessee, MedWorks, Same Day Surgery, Rehab Plus and Gray Physician Group.

Source: Mountain States Health Alliance and Johnson City Press.

Indian Path Medical Center. Located in Kingsport, Indian Path Medical Center has 330 inpatient beds and a full range of outpatient services. Services include an emergency department, a family-centered birthing center and a full range of behavioral and addiction services, plus geriatric psychiatric services, through Indian Path Pavilion. Indian Path is an integral member in Mountain States Health Alliance whose 14 facilities are all within a 30-mile radius of our facility.

Source: Mountain States Health Alliance.

Indian Path Pavilion. Indian Path Pavilion is a 48-bed provider of inpatient and outpatient mental health and chemical dependency services for individuals 18 and older. It is located in Kingsport and is a part of the Johnson City based Mountain States Health Alliance. Options provided for treatment include individual, family and group therapy. At Indian Path Pavilion, a team of professionals that includes clinicians, dietitians, psychiatric nurses, recreational therapists and other healthcare professionals under the leadership of a psychiatrist will assist the individual with finding the most beneficial level and intensity of treatment. The Pavilion offers a special Chemical Dependency Program by the region's only Addictionologist. Indian Path Pavilion emphasizes the practice of abstinence and the 12-step model for treating individuals who have significant problems with alcohol, drugs or other addictive behavior. All of the services provided at Indian Path Pavilion offer continued care with outpatient services.

Source: Mountain States Health Alliance.

Wellmont Health System. Founded in 1996, Wellmont Health System is a premier healthcare provider in the Tri-State region, with hospitals and healthcare facilities in Northeast Tennessee, Southwest Virginia and Southeast Kentucky. Wellmont is one of the region's largest employers and is based in Kingsport. Nearly 600 physicians deliver care at Wellmont facilities across Northeast Tennessee, Southwest Virginia and Southeast Kentucky. The not-for-profit healthcare system includes eight full-service hospitals, with four located in Tennessee. See "RECENT DEVELOPMENTS" for more information on recent developments of the health system.

Source: Wellmont Health System.

Hawkins County Memorial Hospital. Hawkins County Memorial Hospital is located in Rogersville and is part of the Wellmont Health System. The hospital opened in 1958 and has 50 beds with about 50 physicians and 160 nurses, technicians and support staff. The services provided include emergency care, physical and occupational therapies, surgery, intensive care, outpatient specialty clinics (including neurology services) and diagnostic imaging (including CT and nuclear medicine).

Source: Wellmont Health System.

Holston Valley Medical Center. Located in Kingsport, the Holston Valley Medical Centre has one of Tennessee's only six Level I trauma center that is equipped to care for the most critically injured patients. The 505-bdd facility also has a Level III neonatal intensive care unit to care for the sickest babies. It is part of the regional Wellmont Health System. The facility has more than 450 board-certified or board-eligible physicians. In 2005 and again in 2007, Solucient/Thomson Reuters recognized the physician-led hospital as a Top 100 Heart Hospital in the nation. In 2005 a $113 million renovation, called the Project Platinum, began. The construction provided a new intensive care unit, new operating suites, expanded emergency and radiology departments, additional parking areas and a new grand entrance drive and bridge to provide improved hospital access. See the "RECENT DEVELOPMENTS" for more information.

Source: Wellmont Health System.

Wellmont Madison House. Wellmont Madison House, located in Kingsport, provides assisted living and a therapeutic day program for frail elderly persons and mid-life adults with a chronic illness. Medical care in the home is provided 24 hours a day, seven days a week, through Wellmont Home Care. It is part of the regional Wellmont Health System.

Source: Wellmont Health System.

HealthSouth Rehabilitation Hospital. HealthSouth Rehabilitation Hospital of Kingsport is an acute inpatient rehabilitation hospital treating more than 1,000 patients annually from Southwest Virginia, Northeast Tennessee, Southeastern Kentucky and Northwestern North Carolina. The hospital offers care by physician specialists in physical medicine and rehabilitation, pulmonology, neurology, gastroenterology, ENT, internal medicine and family practice. HealthSouth is focused on helping patients achieve the best possible quality of life and strives for community reintegration of all patients. Inpatient treatment focuses on daily living activities so patients can return home with greater function and independence. Approximately 80 percent of patients return home. HealthSouth is one of the nation's largest healthcare services providers.

Source: Health South.

POWER PRODUCTION

John Sevier Fossil Plant. Tennessee Valley Authority's ("TVA") John Sevier Fossil Plant is on the Holston River near Rogersville in Hawkins County. Construction began in 1952 and was completed in 1957. John Sevier has four coal-fired generating units. The winter net dependable generating capacity is 712 megawatts. The plant consumes about 5,700 tons of coal a day.

Electricity is produced at John Sevier's four coal-fired units by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. John Sevier generates five billion kilowatt-hours of electricity a year, enough to supply 350,000 homes. One of John Sevier's generating units set a continuous-run record in 2004, operating without any interruptions for repairs or maintenance for longer than ever before.

To reduce sulfur dioxide (SO_2) emissions from the plant, all four units use a blend of low-sulfur coal. To reduce nitrogen oxide (NO_X) emissions, all units have low-NO_X burners installed. By 2010, TVA will have spent about $6 billion on emissions controls at its fossil-fuel plants to ensure that the power supply is generated as cleanly as possible, consistent with efficiency.

TVA will build a $820 million natural gas power plant near the site of the John Sevier coal plant. North Carolina has sued TVA for coal emissions from the John Sevier plant, which TVA is currently appealing. The John Sevier plant is in danger of being closed in the future, so TVA has planned the new construction.

Source: Tennessee Valley Authority and Knoxville News Sentinel.

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MANUFACTURING AND COMMERCE

There are two industrial districts in the County; Phipps Bend Industrial District and Rogersville Industrial District. The following includes the largest employers in the county, their product, and the approximate level of employment:

Major Employers in Hawkins County and Kingsport[1]

Company	Location	Product	Employees
Eastman Chemical Company	Kingsport	Chemicals, Fibers, Plastics	6,762
Wellmont Health Systems[2]	Kingsport	Healthcare	2,730
Brock	Kingsport	Service Contractor	1,564
Hawkins County Schools	Rogersville	Education	1,195
Pals Sudden Service	Kingsport	Restaurant	1,060
Kingsport City Schools	Kingsport	Education	1,057
Holston Medical Group	Kingsport	Healthcare	795
City of Kingsport	Kingsport	Government	742
Wal-Mart	Kingsport	Retail	725
Jacobs	Kingsport	Engineering	672
BAE Systems	Kingsport	Chemicals & Explosives	650
Mountain States Health[3]	Kingsport	Healthcare	630
Barrette Outdoor Living	Bulls Gap	Wood & Vinyl Fencing	600
TRW Automotive	Rogersville	Steering Components	425
Hutchinson Sealing Systems	Church Hill	Rubber Sealants	389
Copper Standard Automotive	Surgoinsville	Automotive Tubing	350
Domtar	Kingsport	Paper	345
Bank of Tennessee	Kingsport	Bank	274
Baldor Dodge Reliance	Rogersville	Ball Bearings	249
Marriott Meadowview Conference	Kingsport	Hotel	200
Sam Dong, Inc.	Rogersville	Wire Magnetic Products	200
Silgan Plastic Closure Solutions	Kingsport	Plastic Closures	198
Kingsport Times-News	Kingsport	Newspaper	165
Walker Forge	Surgoinsville	Engines Components	158
Regions Financial Corp.	Kingsport	Bank	149
Holiston LLC	Church Hill	Hard Cloth	124

[1] Includes employment figures in the City of Kingsport, which is located in both Sullivan and Hawkins Counties.
[2] Wellmont Health Systems has about 6,762 total employees in the Tri-Cities area.
[3] Mountain States Health Alliance has about 8,610 total employees in the Tri-Cities area.
Source: Business Journal of the Tri-Cities and Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee - 2015.

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The following is a list of the major sources of employment in Tri-Cities area (*Carter County*: Johnson City; *Hawkins County:* Kingsport, Bulls Gap, Surgionsville and Church Hill; *Sullivan County:* Bristol, Kingsport, Johnson City and Piney Flats; *Washington County:* Johnson City, Jonesborough, Gray, Telford and Midway; and in nearby Bristol, Virginia):

Major Employers in the Remaining Tri-Cities Area

Company	Location	Product	Employees
Mountain States Health Alliance*	Johnson City	Healthcare	8,610
East Tennessee State University	Johnson City	Education	2,370
Veterans Administration Hospital	Johnson City	Healthcare	2,200
Citigroup	Gray	Credit Card Programs	1,800
Sullivan County Schools	Blountville	Education	1,755
Advance Call Center Tech	Johnson City	Communications	1,300
Washington County School System	Johnson City	Education	1,200
DTR Tennessee	Midway	Manufacturing	1,147
AO Smith Water Products	Johnson City	Water Heaters	1,046
Frontier Health*	Gray	Rehabilitative Healthcare	1,025
City of Johnson City	Johnson City	Government	947
Johnson City School System	Johnson City	Education	850
Century Link	Bristol, TN	Telecommunications	770
Bristol Compressors	Bristol, VA	Manufacturing	738
Kelly Services	Johnson City	Personnel Supply Services	650
U.S. Solutions Group	Bristol, TN		620
Electro-Mechanical Corp.	Bristol, VA	Transformers	600
Line Power Federal Pacific	Bristol, VA	Manufacturing	600
Sprint Telecenters	Bristol, TN	Telecommunications	575
State of Franklin Healthcare	Johnson City	Healthcare	530
Mullican Flooring	Johnson City	Flooring	530
Universal Fibers	Bristol, VA	Manufacturing	525
Bell Helicopter	Bristol, TN	Aircraft Outfitting	450
TPI Corporation	Gray	Electric Heating Equip	443
Bristol School System	Bristol, TN	Education	412
Office Max	Bristol, VA	Retail	386
HSN	Piney Flats	Distribution	363
Shearer Foods	Bristol, VA	Food Manufacturing	350
Domtar	Kingsport	Paper	345
City of Bristol	Bristol, TN	Government	336
Robinette Company	Bristol, TN	Printed Roll Stock	327
NN Inc.	Johnson City	Rollers and Bearings	319
Wal-Mart	Bristol, TN	Retail	300
Strongwell Corporation	Bristol, VA	Manufacturing	295
Kennametal, Inc.	Johnson City	Carbide Alloys	250
Exide Battery Plant	Bristol, TN	Batteries	250
Lowe’s	Bristol, TN	Retail	250
Siemens Industry	Johnson City	Automation	250

Company	Location	Product	Employees
Federal Pacific Transformer Co	Bristol, VA	Transformers	249
Ball Metal Beverage Packaging	Bristol, VA	Can Ends	230
Assure Snack Foods	Bristol, VA	Food Manufacturing	225
Bristol Metals	Bristol, TN	Metal Fabricating	208
Modern Forge	Piney Flats	Manufacturing	200
Dentsply Tulsa Dental Products	Johnson City	Manufacturing	200
Powell Companies	Johnson City	Steel Erection	200
General Shale	Johnson City	Manufacturing	190
Dentsply Tulsa Dental Products	Johnson City	Manufacturing	189
Bristol Virginia Utilities	Bristol, VA	Public Utilities	183
Oldcastle Building Envelope	Midway	Aluminum Products	175
Pfizer	Bristol, TN	Pharmaceuticals	165
First Tennessee Bank	Johnson City	Bank	164
Koyo Corp. of USA	Telford	Bearings	160
Pepsi Beverage Co	Johnson City	Pepsi Products	152
Reinhart Food Service	Johnson City	Food Service	145
Seaman Corp.	Bristol, TN	Coated Fabric	138
Alemite LLC	Johnson City	Lubrication Systems	130
Borla Performance Industries, TN	Johnson City	Manufacturer	130
QEP Company & Harris Wood, LLC	Johnson City	Wood Flooring	130
Royal Moldings	Bristol, TN	Molded products	125
Microporous (Daramic LLC)	Piney Flats	Battery Separators	125
MINCO	Midway	Fused Silica Products	115
Industrial Electronics Services	Gray	Electronics	110
Clinical Management Concepts	Johnson City	Pharmacy	110
Manitowoc Walk-Ins (Kysor)	Piney Flats	Walk-In Coolers	110
Aurora Hardwoods	Piney Flats	Hardwood	106
Johnson Eye Clinic	Johnson City	Healthcare	100

** Includes employees from multiple areas in the Tri-Cities area.*

Source: Business Journal of the Tri-Cities, Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee, Johnson City / Washington County Economic Development Board - 2015.

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EMPLOYMENT INFORMATION

As of February 2016, the unemployment rate of Kingsport stood at 5.1%, representing 21,560 persons employed out of a workforce of 22,720. As of February 2016, the unemployment rate in Hawkins County stood at 5.2%, representing 22,620 persons employed out of a workforce of 23,860.

The unemployment rate for February 2016 in the Kingsport-Bristol MSA stood at 4.8%, representing 131,500 persons employed out of a workforce of 138,200. The unemployment rate for February 2016 in the Tri-Cities CSA stood at 4.9%, representing 216,520 persons employed out of a workforce of 227,700.

Unemployment

	Annual Average **2011**	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
Kingsport	**8.4%**	**7.6%**	**8.0%**	**6.5%**	**6.0%**
Index vs. National	94	94	108	105	113
Index vs. State	91	95	98	97	103
Hawkins County	**8.9%**	**7.9%**	**8.0%**	**7.3%**	**6.5%**
Index vs. National	100	98	108	118	123
Index vs. State	97	99	98	109	112
Kingsport-Bristol MSA	**8.1%**	**7.3%**	**7.5%**	**6.5%**	**5.7%**
Index vs. National	91	90	101	105	108
Index vs. State	88	91	91	97	98
Tri-Cities CSA	**8.2%**	**7.3%**	**7.6%**	**6.7%**	**6.0%**
Index vs. National	92	90	103	108	113
Index vs. State	89	91	93	100	103

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

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ECONOMIC DATA

Per Capita Personal Income

	2010	**2011**	**2012**	**2013**	**2014**
National	$40,277	$42,453	$44,266	$44,438	$46,049
Tennessee	$35,601	$37,323	$39,137	$39,312	$40,457
Hawkins County	**$27,273**	**$28,704**	**$29,734**	**$29,195**	**$29,830**
Index vs. National	68	68	67	66	65
Index vs. State	77	77	76	74	74
Kingsport-Bristol MSA	**$31,758**	**$34,008**	**$35,261**	**$34,969**	**$35,912**
Index vs. National	79	80	80	79	78
Index vs. State	89	91	90	89	89
Tri-Cities CSA	**$31,594**	**$33,615**	**$34,726**	**$34,541**	**$35,456**
Index vs. National	78	79	78	78	77
Index vs. State	89	90	89	88	88

Source: University of Tennessee, Center for Business and Economic Research.

Social and Economic Characteristics

	National	**Tennessee**	**Hawkins County**	**Kingsport**
Median Value Owner Occupied Housing	$175,700	$139,900	$109,500	$134,000
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	81.3%	87.7%
% Persons with Income Below Poverty Level	14.80%	18.30%	19.6%	19.9%
Median Household Income	$53,482	$44,621	$37,432	$38,333

Source: U.S. Census Bureau State & County QuickFacts - 2014.

PARKS AND RECREATION

Cherokee Dam and Reservoir. Tennessee Valley Authority's ("TVA") Cherokee Dam is located on the Holston River in Jefferson City, 52 miles upstream from the point at which the Holston and French Broad Rivers converge to form the Tennessee. Cherokee Reservoir spans Jefferson, Grainger, Hamblen and Hawkins Counties. The Reservoir attracts millions of recreational visitors each year to its public access areas, fishing areas, camping sites, county and municipal parks, commercial boat docks and resorts, a state park, and a state wildlife management area. Cherokee was built to generate hydroelectric power during the World War II emergency, but it also plays an important role as one of the chain of TVA reservoirs that over the years have prevented billions of dollars of flood damage in areas downstream. The deep waters of Cherokee Reservoir lose oxygen during the summer months, and the water that generates power is drawn out of these depths. In order to increase oxygen levels for aquatic life below the reservoir, TVA injects oxygen through miles of perforated hoses suspended above the reservoir bottom. TVA also uses huge, slow-turning fans just above the dam to push oxygenated surface water into the depths of the reservoir.

Source: Tennessee Valley Authority.

Fort Patrick Henry Dam and Reservoir. Tennessee Valley Authority's ("TVA") Fort Patrick Henry Dam is located in Kingsport on the South Fork Holston River. Fort Patrick Henry Reservoir extends 10 miles in Sullivan County upstream from the Dam to Boone Dam. Fort Patrick Henry Reservoir is a popular site for fishing, particularly rainbow trout, bluegill, bass, and crappie. Warrior's Path State Park is located on the reservoir.

Source: Tennessee Valley Authority.

Warriors' Path State Park. Warriors' Path State Park is located in Kingsport in Sullivan County. It was named for the park's proximity to the ancient war and trading path used by the Cherokee. The 950-acre area was acquired from the Tennessee Valley Authority is 1952, to serve the people who live in or visit this section of Northeast Tennessee. It is situated on the shores of TVA's Patrick Henry Reservoir on the Holston River. The park offers boating, fishing, many hiking trails, campsites, picnic facilities and a swimming pool.

Source: Tennessee State Parks.

RECENT DEVELOPMENTS

AGC Glass. Weak demand for solar glass has caused AGC Glass North America to permanently close its Blue Ridge Plant in Kingsport in late 2012. The company's Corporate Services Center next to the plant will continue to operate with more than 125 workers.

Contour Industries. Contour Industries expanded into a new 57,680-square-foot building with 50 new jobs in 2010. Contour has been located in the Phipps Bend Industrial District since 1989 and manufactures glass products.

Eastman Chemical Company. Eastman Chemical Company is located in Kingsport on the Sullivan County side. In 2013 the company began a $1.6 billion expansion that will bring in 300 new jobs. The seven-year project is expected to be finished on the 100th anniversary of Eastman in 2020. The project will include safety and environmental projects, increased warehouse capacity, building renovations and expansion of its corporate campus. In 2011 the company purchased Sterling Chemicals Inc. for $100 million in cash. The assets bought, a plasticizer and acetic acid manufacturing facility, are located in Texas. In 2009 the company slashed costs by more than $200 million by cutting up to 300 jobs in response to the current economic turmoil. Eastman is the largest manufacturing employer in Tennessee.

Source: Knoxville News Sentinel and Johnson City Press.

HAWKINS COUNTY, TENNESSEE

SUMMARY OF BONDED INDEBTEDNESS

	PURPOSE	DUE DATE	INTEREST RATE(S)		(1) As of June 30, 2015 OUTSTANDING
	$9,700,000 General Obligation School Bonds, Series 2007	June 2033	Fixed		$ 7,885,000
	$27,745,000 Loan Agreement, Series B-15-A	June 2036	Fixed		6,415,000
(2)	$16,150,000 Loan Agreement, Series VII-A-1	Jun 2029	Synthetic Rate	(3)	16,150,000
	$743,000 Capital Outlay Notes, Series 2009	June 2016	Fixed		185,000
	$17,700,000 General Obligation School Bonds, Series 2009 (Taxable Build America Bonds)	June 2038	Fixed		17,700,000
	$3,600,000 General Obligation Bonds, Series 2010 (Taxable Build America	May 2025	Fixed		2,920,000
	$7,790,000 General Obligation Bonds, Series 2011	May 2021	Fixed		4,780,000
	$687,149 Industrial Development Spec Building Note	Oct 2015	Fixed		632,397
	$2,500,000 General Obligation Bonds, Series 2013	June 2025	Fixed		2,100,000
	$9,460,000 General Obligation Refunding Bonds, Series 2014	June 2036	Fixed		9,425,000
	General Obligation Refunding Bonds, Series 2015	June 2036	Fixed		9,655,000
	TOTAL BONDED DEBT				$ 77,847,397
	General Obligation Refunding Bonds, Series 2016	June 2036	Fixed		10,000,000
	Less: Bonds Being Refinanced	June 2036	Fixed		(9,425,000)
	NET BONDED DEBT				$ 78,422,397
	Debt Payable by General Purpose School Fund				
	$2,640,000 Qualified School Construction Loan Agreement (Net of Sinking	Sept 2026	Fixed		$ 2,640,000
	$2,333,000 Qualified School Construction Loan Agreement (Net of Sinking	Sept. 2027	Fixed		2,333,000
	$740,728 Loan Agreement, Series 370-001 - EESI Program	2019	Fixed		352,506
	$767,272 Loan Agreement, Series 370-002 - EESI Program	2022	Fixed		511,512
	$230,000 Loan Agreement, Series 370-003 - EESI Program	2027	Fixed		230,000
	NET BONDED DEBT - Payable General Purpose School Fund				$ 6,067,018
	Debt Payable by General Fund and Highway Fund				
	$317,354 Lease Agreement, Series 2013	Feb. 2018	Fixed		$ 172,213

NOTES:

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

(2) The County budgets to account for interest rate and/or basis risk. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(3) The Public Building Authority on behalf of the Borrower has entered into an interest rate swap agreement on the Series V-B-1 Bonds which were refinanced with the Series VII-A-1 Bonds. The interest rate hedging agreement remained outstanding and is payable under the V-B-1 Loan Agreement which stays outstanding for purposes of the interest rate hedging agreement. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

HAWKINS COUNTY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

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

	For Fiscal Years Ended June 30					After Issuance
INDEBTEDNESS	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
General Obligation Bonds & Notes & Loans (1)	$ 83,390,550	$ 81,066,470	$ 83,928,572	$ 83,382,000	$ 83,914,415	$ 84,489,415
TOTAL TAX SUPPORTED	83,390,550	81,066,470	83,928,572	83,382,000	83,914,415	84,489,415
TOTAL DEBT	$83,390,550	$81,066,470	$83,928,572	$83,382,000	$83,914,415	$84,489,415
Less: Debt Service Funds	(15,143,484)	(15,191,289)	(15,266,494)	(15,258,134)	(13,270,523)	(13,270,523)
NET DIRECT DEBT	$68,247,066	$65,875,181	$68,662,078	$68,123,866	$70,643,892	$71,218,892
PROPERTY TAX BASE						
Estimated Actual Value	$ 3,513,119,112	$ 3,643,562,681	$3,674,266,266	$3,725,601,220	$ 3,742,682,269	$ 3,742,682,269
Appraised Value	3,047,630,830	3,643,562,681	3,674,266,266	3,725,601,220	3,742,682,269	3,742,682,269
Assessed Value	855,078,652	1,017,061,459	1,025,837,703	1,041,083,354	1,045,488,413	1,045,488,413

(1) The above figures may not include all short-term notes or capitalized leases. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. Includes the Qualified School Construction Loan Agreement, Series 2009 and Series 2010 (Net of sinking fund payments) and the EESI Loans payable from the General Purpose School Fund and the Communication Equipment leases and the Industrial Development Board Spec Building Note.

	For Fiscal Years Ended June 30					After Issuance
DEBT RATIOS	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
TOTAL DEBT to Estimated Actual Value	2.37%	2.22%	2.28%	2.24%	2.24%	2.26%
TOTAL DEBT to Appraised Value	2.74%	2.22%	2.28%	2.24%	2.24%	2.26%
TOTAL DEBT to Assessed Value	9.75%	7.97%	8.18%	8.01%	8.03%	8.08%
NET DIRECT DEBT to Estimated Actual Value	1.94%	1.81%	1.87%	1.83%	1.89%	1.90%
NET DIRECT DEBT to Appraised Value	2.24%	1.81%	1.87%	1.83%	1.89%	1.90%
NET DIRECT DEBT to Assessed Value	7.98%	6.48%	6.69%	6.54%	6.76%	6.81%
PER CAPITA RATIOS						
POPULATION (1)	56,659	56,607	56,800	56,735	56,735	56,735
PER CAPITA PERSONAL INCOME (2)	$28,704	$29,734	$29,195	$29,830	$29,830	$29,830
Estimated Actual Value to POPULATION	62,005	64,366	64,688	65,667	65,968	65,968
Assessed Value to POPULATION	15,092	17,967	18,061	18,350	18,428	18,428
Total Debt to POPULATION	1,472	1,432	1,478	1,470	1,479	1,489
Net Direct Debt to POPULATION	1,205	1,164	1,209	1,201	1,245	1,255
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.13%	4.82%	5.06%	4.93%	4.96%	4.99%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%

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

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

HAWKINS COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y. Ended	Existing General Obligation Debt - As of June 30, 2015					General Obligation Refunding Bonds, Series 2016			% 2016 Principal	Less: Bonds Refinanced			Total Bonded Debt Service Requirements[1]					% All Principal
6/30	Principal	Interest[2]	Net Other Amounts[3]	Sinking Fund	TOTAL	Principal	Interest[4]	TOTAL	Repaid	Principal	Interest	TOTAL	Principal	Interest (2)	Net Other Amounts[3]	Sinking Fund	TOTAL	Repaid
2016	$ 3,618,277	$ 3,319,878	$ (76,682)	$ -	$ 6,861,472	$ -	$ -	$ -	0.00%	$ -	$ -	$ -	$ 3,618,277	$ 3,319,878	$ (76,682)	$ -	$ 6,861,472	4.28%
2017	2,831,012	3,273,231	$ (74,605)	-	$ 6,029,637	120,000	194,565	314,565		-	(381,455)	(381,455)	2,951,012	3,086,341	$ (74,605)	$ -	$ 5,962,747	
2018	2,916,156	3,188,304	$ (70,862)	-	$ 6,033,598	480,000	193,665	673,665		(360,000)	(381,455)	(741,455)	3,036,156	3,000,514	$ (70,862)	$ -	$ 5,965,808	
2019	2,920,770	3,099,501	$ (66,673)	-	$ 5,953,598	495,000	189,825	684,825		(385,000)	(367,415)	(752,415)	3,030,770	2,921,911	$ (66,673)	$ -	$ 5,886,008	
2020	3,075,676	3,006,852	$ (62,087)	-	$ 6,020,441	480,000	185,123	665,123	15.75%	(380,000)	(352,400)	(732,400)	3,175,676	2,839,574	$ (62,087)	$ -	$ 5,953,163	18.71%
2021	3,210,820	2,887,625	$ (57,121)	-	$ 6,041,324	650,000	180,083	830,083		(560,000)	(337,580)	(897,580)	3,300,820	2,730,128	$ (57,121)	$ -	$ 5,973,827	
2022	3,100,380	2,762,684	$ (53,785)	-	$ 5,809,279	970,000	172,283	1,142,283		(895,000)	(315,028)	(1,210,028)	3,175,380	2,619,939	$ (53,785)	$ -	$ 5,741,534	
2023	3,179,380	2,637,864	$ (50,078)	-	$ 5,767,167	985,000	159,188	1,144,188		(935,000)	(277,843)	(1,212,843)	3,229,380	2,519,209	$ (50,078)	$ -	$ 5,698,512	
2024	3,299,524	2,506,185	$ (46,173)	-	$ 5,759,536	965,000	144,413	1,109,413		(940,000)	(238,979)	(1,178,979)	3,324,524	2,411,618	$ (46,173)	$ -	$ 5,689,970	
2025	3,449,668	2,367,124	$ (42,031)	-	$ 5,774,761	955,000	127,525	1,082,525	61.00%	(955,000)	(199,825)	(1,154,825)	3,449,668	2,294,824	$ (42,031)	$ -	$ 5,702,461	38.22%
2026	3,054,824	2,216,274	$ (21,077)	-	$ 5,250,021	440,000	108,425	548,425		(430,000)	(156,585)	(586,585)	3,064,824	2,168,114	$ (21,077)	$ -	$ 5,211,861	
2027	5,809,928	2,076,181	$ (172,163)	(2,640,000)	$ 5,073,947	435,000	99,185	534,185		(435,000)	(139,815)	(574,815)	5,809,928	2,035,551	$ (172,163)	$ (2,640,000)	$ 5,033,317	
2028	5,613,000	1,929,150	$ (335,274)	(2,333,000)	$ 4,873,876	460,000	89,398	549,398		(465,000)	(122,850)	(587,850)	5,608,000	1,895,698	$ (335,274)	$ (2,333,000)	$ 4,835,424	
2029	3,425,000	1,796,953	$ (349,464)	-	$ 4,872,489	465,000	77,898	542,898		(475,000)	(104,715)	(579,715)	3,415,000	1,770,135	$ (349,464)	$ -	$ 4,835,671	
2030	3,440,000	1,657,078	$ (349,464)	-	$ 4,747,614	495,000	64,878	559,878	83.95%	(515,000)	(86,190)	(601,190)	3,420,000	1,635,765	$ (349,464)	$ -	$ 4,706,301	63.45%
2031	3,565,000	1,533,143	$ (340,197)	-	$ 4,757,946	525,000	50,523	575,523		(550,000)	(66,105)	(616,105)	3,540,000	1,517,560	$ (340,197)	$ -	$ 4,717,363	
2032	3,715,000	1,402,260	$ (330,770)	-	$ 4,786,490	565,000	34,510	599,510		(595,000)	(44,655)	(639,655)	3,685,000	1,392,115	$ (330,770)	$ -	$ 4,746,345	
2033	3,845,000	1,250,433	$ (312,077)	-	$ 4,783,356	515,000	16,995	531,995		(550,000)	(21,450)	(571,450)	3,810,000	1,245,978	$ (312,077)	$ -	$ 4,743,901	
2034	4,000,000	1,080,873	$ (284,044)	-	$ 4,796,829			-		-	-	-	4,000,000	1,080,873	$ (284,044)	$ -	$ 4,796,829	
2035	4,165,000	886,863	$ (241,792)	-	$ 4,810,071			-	100.00%	-	-	-	4,165,000	886,863	$ (241,792)	$ -	$ 4,810,071	86.18%
2036	4,330,000	678,988	$ (196,224)	-	$ 4,812,764			-	100.00%	-	-	-	4,330,000	678,988	$ (196,224)	$ -	$ 4,812,764	
2037	3,600,000	459,375	$ (146,793)	-	$ 3,912,582			-		-	-	-	3,600,000	459,375	$ (146,793)	$ -	$ 3,912,582	
2038	3,750,000	234,375	$ (74,895)	-	$ 3,909,480			-		-	-	-	3,750,000	234,375	$ (74,895)	$ -	$ 3,909,480	100.00%
	$ 83,914,415	$ 46,251,189	$ (3,754,329)	$ (4,973,000)	$ 121,438,275	$10,000,000	$2,088,478	$12,088,478		$ (9,425,000)	$ (3,594,344)	$ (13,019,344)	$84,489,415	$44,745,323	$ (3,754,329)	$ (4,973,000)	$120,507,409	

NOTES:

(1) The above figures may not include all short-term notes or capitalized leases. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. Includes the Qualified School Construction Loan Agreement, Series 2009 and Series 2010 and the EESI Loans payable from the General Purpose School Fund and the Communication Equipment leases and the Industrial Development Board Spec Building Note.

(2) Gross Interest - Excludes Rebate on the General Obligation School Bonds, Series 2009 (Taxable Build America Bonds) and General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds).

(3) Net Other Amounts includes Treasury Rebates, Sequestered Rebates on Interest, State Administration Fees, and Sinking Fund Deposits.

(4) Estimated Interest Rates

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30				
Fund Type	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental Funds:					
General	$ 3,919,440	$ 5,415,371	$ 6,273,214	$ 5,818,756	$ 6,025,499
Highway/Public Works	2,338,306	2,972,129	3,455,817	3,099,522	3,240,836
General Debt Service	4,105,442	4,022,294	3,940,302	3,822,404	3,154,697
Education Debt Service	9,608,116	9,606,317	9,630,968	9,861,882	10,115,826
Other Governmental	6,723,001	4,530,265	2,715,630	3,188,355	2,419,048
Total	**$26,694,305**	**$26,546,376**	**$26,015,931**	**$25,790,919**	**$24,955,906**

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

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

	$2,011	$2,012	$2,013	$2,014	$2,015
Revenues:					
Taxes	$ 8,210,543	$ 8,296,122	$ 8,527,206	$ 8,580,413	$ 8,598,450
Licenses, Permits, Fines	3,903	3,558	2,533	2,803	2,296
Fines and Costs	208,494	191,399	243,116	213,758	200,568
Charges for Services	105,363	113,871	169,113	140,028	130,561
Other Revenues	30,108	33,319	191,432	55,236	85,980
Fees From County Officials	2,046,261	2,127,428	2,045,879	2,143,526	2,346,030
State of Tennessee	1,383,013	2,235,296	2,320,385	2,822,429	2,710,799
Federal Government	41,295	241,924	319,097	204,356	780,934
Other Govt.'s & Groups	216,226	242,623	205,308	247,761	275,766
Total Revenues	$12,245,206	$13,485,540	$14,024,069	$14,410,310	$15,131,384
Expenditures:					
General government	$ 2,096,947	$ 2,069,201	$ 2,255,833	$ 2,455,629	$ 2,605,705
Finance	1,343,455	1,321,905	1,345,109	1,381,555	1,401,643
Administration of Justice	1,036,397	1,053,347	1,110,591	1,217,330	1,397,961
Public Safety	4,899,572	5,618,303	6,213,567	7,275,550	7,019,283
Public Health & Welfare	648,171	643,568	746,824	758,670	725,045
Social, Cultural, & Recreational Service	382,816	410,060	450,518	443,535	437,817
Agricultural & Natural Resources	112,538	141,849	140,094	129,901	150,215
Other Operations	684,469	649,117	735,572	1,018,655	888,952
Highways	44,239	57,174	56,846	54,980	58,061
Debt Service	141,667	144,634	10,566	63,080	63,079
Capital Projects	-	-	303,677	-	-
Total Expenditures	$11,390,271	$12,109,158	$13,369,197	$14,798,885	$14,747,761
Excess of Revenues Over (Under) Expenditures	$ 854,935	$ 1,376,382	$ 654,872	$ (388,575)	$ 383,623
Other Financing Sources (Uses):					
Premiums on Debt Issued	$ -	$ -	$ -	$ -	$ -
Other Loans or Leases Issued	-	-	303,676	-	-
Insurance Recovery	70,769	209,389	12,343	47,181	61,191
Transfers In	12,500	3,254	-	-	-
Transfers Out	(117,589)	(93,094)	(113,048)	(113,064)	(238,071)
Bond & Note Proceeds	-	-	-	-	-
Payments to Refunded Debt Escrow	-	-	-	-	-
Total	$ (34,320)	$ 119,549	$ 202,971	$ (65,883)	$ (176,880)
Net Change in Fund Balances	$ 820,615	$ 1,495,931	$ 857,843	$ (454,458)	$ 206,743
Fund Balance July 1	3,098,825	3,919,440	5,415,371	6,273,214	5,818,756
Fund Balance June 30	**$ 3,919,440**	**$ 5,415,371**	**$ 6,273,214**	**$ 5,818,756**	**$ 6,025,499**

Source: Comprehensive Annual Financial Report for Hawkins County.

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 for Tennessee, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2014[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Actual Value
Public Utilities	$ 89,746,602	55%	$ 205,286,829
Commercial and Industrial	146,191,680	40%	365,479,200
Personal Tangible Property	99,426,156	30%	331,420,340
Residential and Farm	710,123,975	25%	2,840,495,900
TOTAL	**$1,045,488,413**		**$3,742,682,269**

Source: 2014 Tax Aggregate Report for Tennessee.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2015 (tax year 2014) is $1,045,488,413 compared to $1,041,083,354 for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value of all taxable property for tax year 2014 is $3,742,682,269 compared to $3,725,601,220 for tax year 2013.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2011 through 2015 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	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**As of June 30, 2015 Amount**	**Pct**
2011	$1,017,061,459	$2.345	$23,819,628	$22,697,115	95.2%	$ 64,342	0.27%
2012	1,025,837,703	2.345	24,025,013	22,734,791	94.6%	110,899	0.46%
2013	1,041,083,354	2.345	24,400,548	23,175,930	95.0%	168,215	0.69%
2014	1,045,488,413	2.465	25,636,267	24,608,334	95.99	1,027,933	4.01%
2015	1,052,285,612	2.465	25,938,840	**IN PROGRESS**			

[1] The tax year coincides with the calendar year, therefore tax year 2014 is actually fiscal year 2014-15.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2015 (Tax Year 2014) taxpayers in the County were as follows:

	Taxpayer	Business Type	Assessed Value	Taxes Paid
1.	Appalachian Power	Utility	$ 24,855,939	$ 612,699
2.	AGC Flat Glass NA	Manufacturing	22,618,866	557,555
3.	Holston Electric	Utility	20,685,772	509,904
4.	Norfolk Southern	Railroad	20,526,863	505,988
5.	TRW Auto Inc	Manufacturing	16,062,421	395,939
6.	Barrette Outdoor Living	Manufacturing	11,363,930	280,120
7.	Baldor Electric Co	Manufacturing	6,552,817	161,527
8.	Kingsport 925, LLC	Apartments	4,614,240	113,741
9.	Kingsport Power Company	Utility	3,623,372	89,317
10.	BAE Systems OSI	Gov't contracted military services	3,390,739	83,582
	TOTAL		**$134,294,959**	**$3,310,372**

Source: The County.

PENSION PLANS

Certain employees of the County are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the state.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. The 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 10 years of service or any age with 30 years of service. A reduced retirement benefit is available to vested members at age 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 performance of duty. Members joining the system on or after July 1, 1979, were vested after 10 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established and amended by state statute.

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

For more information, please refer to the Notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

HAWKINS COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Hawkins County for the fiscal year ended June 30, 2015 which is available upon request from the County.

Annual Financial Report

Hawkins County, Tennessee

For the Year Ended June 30, 2015

Tennessee Comptroller of the Treasury

Division of Local Government Audit

ANNUAL FINANCIAL REPORT

HAWKINS COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

MARK TREECE, CPA, CGFM
Audit Manager

MARIE TIDWELL, CPA
Auditor 4

ROBERT ANDERSON
PHILIP TOBY, CGFM
AMY MOORE, CGFM
VERNA DAVIS
GREG BRUSH, CISA
State Auditors

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

HAWKINS COUNTY, TENNESSEE
TABLE OF CONTENTS

Summary of Audit Findings

Annual Financial Report
Hawkins County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of Hawkins County as of and for the year ended June 30, 2015.

Results

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

Our audit resulted in one finding and recommendation, which we have reviewed with Hawkins County management. The detailed finding and recommendation are included in the Single Audit section of this report.

Finding

The following is a summary of the audit finding:

OFFICES OF DIRECTOR OF SCHOOLS

- The School Federal Projects Fund had a deficit unassigned fund balance at June 30, 2015.

INTRODUCTORY SECTION

Hawkins County Officials
June 30, 2015

Officials

Melville Bailey, County Mayor
Lowell Bean, Road Superintendent
Steve Starnes, Director of Schools
Jim Shanks, Trustee
Jeff Thacker, Assessor of Property
Nancy Davis, County Clerk
Randall Collier, Circuit and General Sessions Courts Clerk
Holly Jaynes, Clerk and Master
Judy Kirkpatrick, Register of Deeds
Ronnie Lawson, Sheriff

Board of County Commissioners

Melville Bailey, County Mayor, Chairman
Danny Alvis
Shane Bailey
Jeff Barrett
Dwight Carter
Fred Castle
Eugene Christian
B.D. Cradic
Glenda Davis
Dawson Fields
Greg Fletcher
Darrell Gilliam
Michael Herrell
Gary Hicks, Jr.
Linda Kimbro
Mark Linkous
Joe McLain
John Metz
Charlie Newton
Robert Palmer
Syble Vaughn Trent
Stacy Vaughan

Board of Education

Chris Christian, Chairman
Kathy Cradic
Holly Helton
Tecky Hicks
Bob Larkins
Debbie Shedden
Michael Williams

Audit Committee

Syble Vaughan Trent
Jeff Barrett
Danny Alvis
Dawson Fields
John Metz
Gary Hicks, Jr.
Charlie Newton

FINANCIAL SECTION

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

Independent Auditor's Report

Hawkins County Mayor and
Board of County Commissioners
Hawkins 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 Hawkins County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hawkins County, Tennessee, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V. B., Hawkins County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 a restatement decreasing the beginning Governmental Activities net position of the primary government by $982,108, and the beginning net position of the discretely presented Hawkins County School Department by $11,337,738. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for 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 liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans on pages 87 - 93 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 Hawkins County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the major debt service funds, combining and individual fund financial statements of the Hawkins County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2016, on our consideration of Hawkins County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hawkins County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 5, 2016

JPW/yu

Basic Financial Statements

Exhibit A

Hawkins County, Tennessee
Statement of Net Position
June 30, 2015

	Primary Government: Governmental Activities	Component Unit: Hawkins County School Department
ASSETS		
Cash	$ 17,360	$ 9,428
Equity in Pooled Cash and Investments	24,530,257	15,144,035
Accounts Receivable	129,447	117,588
Due from Other Governments	1,191,702	1,232,053
Due from Component Units	12,666	0
Property Taxes Receivable	14,188,200	11,617,205
Allowance for Uncollectible Property Taxes	(530,964)	(434,750)
Prepaid Items	53,119	4,726
Net Pension Asset - Agent Plan	389,348	737,237
Net Pension Asset - Cost-sharing Plan	0	116,571
Unamortized Discount on Debt	20,352	0
Capital Assets:		
Assets Not Depreciated:		
Land	1,376,159	1,580,969
Construction in Progress	182,590	134,365
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	16,276,261	53,485,066
Other Capital Assets	2,963,112	2,794,535
Infrastructure	38,792,111	0
Total Assets	$ 99,591,720	$ 86,539,028

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Hawkins County School Department
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	$ 1,294,399	$ 0
Pension Changes in Experience	0	283,005
Pension Contributions after Measurement Date	689,103	3,163,316
Total Deferred Outflows of Resources	$ 1,983,502	$ 3,446,321
LIABILITIES		
Accounts Payable	$ 382,665	$ 228,674
Accrued Payroll	38,162	39,517
Payroll Deductions Payable	3,706	0
Contracts Payable	0	50,302
Retainage Payable	0	5,063
Accrued Interest Payable	307,556	0
Due to Primary Government	0	12,666
Due to State of Tennessee	355	0
Due to Litigants, Heirs, and Others	80	0
Derivative - Interest Rate Swap	2,450,175	0
Other Current Liabilities	168,234	2,662,357
Noncurrent Liabilities:		
Due Within One Year	3,695,966	639,888
Due in More than One Year (net of unamortized premium on debt)	81,863,819	13,172,742
Total Liabilities	$ 88,910,718	$ 16,811,209

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Hawkins County School Department
DEFERRED INFLOWS OF RESOURCES		
Deferred Current Property Taxes	$ 13,273,709	$ 10,868,424
Pension Changes in Experience	253,393	479,803
Pension Changes in Investment Earnings	1,099,656	11,686,938
Pension Other Deferrals	0	148,271
Total Deferred Inflows of Resources	$ 14,626,758	$ 23,183,436
NET POSITION		
Net Investment in Capital Assets	$ 40,815,577	$ 57,994,935
Restricted for:		
General Government	253,855	0
Finance	26,768	0
Administration of Justice	581,557	0
Public Safety	318,685	0
Public Health and Welfare	39,864	0
Highways	3,230,838	0
Debt Service	14,486,118	0
Education	0	5,147,268
Capital Projects	25,530	0
Other Purposes	389,348	0
Unrestricted	(62,130,394)	(13,151,499)
Total Net Position	$ (1,962,254)	$ 49,990,704

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

Exhibit B

Hawkins County, Tennessee
Statement of Activities
For the Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Hawkins County School Department
Primary Government:						
Governmental Activities:						
General Government	$ 4,020,567	$ 388,535	$ 102,999	$ 165,060	$ (3,363,973)	$ 0
Finance	1,535,797	1,216,189	0	0	(319,608)	0
Administration of Justice	1,421,910	1,235,843	50,000	0	(136,067)	0
Public Safety	7,448,006	2,063,141	309,519	321,810	(4,753,536)	0
Public Health and Welfare	2,369,176	98,618	325,726	385,372	(1,559,460)	0
Social, Cultural, and Recreational Services	463,801	6,390	17,212	0	(440,199)	0
Agriculture and Natural Resources	150,877	0	0	0	(150,877)	0
Highways	5,657,183	23,109	2,022,518	300,972	(3,310,584)	0
Education	5,107	0	0	0	(5,107)	0
Interest on Long-term Debt	3,534,843	0	0	0	(3,534,843)	0
Total Primary Government	$ 26,607,267	$ 5,031,825	$ 2,827,974	$ 1,173,214	$ (17,574,254)	$ 0
Component Unit:						
Hawkins County School Department	$ 63,000,544	$ 1,036,351	$ 7,410,973	$ 0	$ 0	$ (54,553,220)
Total Component Units	$ 63,000,544	$ 1,036,351	$ 7,410,973	$ 0	$ 0	$ (54,553,220)

(Continued)

Exhibit B

Hawkins County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Total Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit Hawkins County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					$ 7,883,777	$ 9,839,879
Property Taxes Levied for Highway/Public Works					1,438,247	0
Property Taxes Levied for Transportation					0	1,536,415
Property Taxes Levied for Debt Service					4,474,564	0
Local Option Sales Taxes					861,314	4,179,299
Wheel Tax					1,042,692	329,316
Litigation Tax - General					122,410	0
Litigation Tax - Jail, Workhouse, Courthouse					109,163	0
Litigation Tax - Courthouse Security					108,714	0
Business Tax					272,518	0
Mineral Severance Tax					67,634	0
Wholesale Beer Tax					100,287	0
Interstate Telecommunication Tax					3,412	4,899
Grants and Contributions Not Restricted to Specific Programs					1,623,560	38,986,967
Unrestricted Investment Income					92,565	2,116
Miscellaneous					23,709	386,755
Gain on Sale of Assets					0	22,340
Pension Income					18,407	159,540
Total General Revenues					$ 18,242,973	$ 55,447,526
Change in Fair Value of Derivatives - Interest Rate Swap					$ (179,244)	$ 0
Change in Net Position					$ 489,475	$ 894,306
Net Position, July 1, 2014					(1,469,621)	60,434,136
Restatement - Pension Liability (see note I.D.9.)					(982,108)	(11,337,738)
Net Position, June 30, 2015					$ (1,962,254)	$ 49,990,704

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

Exhibit C-1

Hawkins County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 0	$ 0	$ 0	$ 0	$ 17,360	$ 17,360
Equity in Pooled Cash and Investments	5,851,130	3,159,238	3,128,966	10,046,625	2,344,298	24,530,257
Accounts Receivable	55,061	1,129	1,695	4,358	65,577	127,820
Due from Other Governments	577,507	388,706	0	0	225,489	1,191,702
Due from Other Funds	46,961	5,258	21,277	0	18,341	91,837
Due from Component Units	12,666	0	0	0	0	12,666
Property Taxes Receivable	8,107,543	1,479,078	876,491	3,725,088	0	14,188,200
Allowance for Uncollectible Property Taxes	(303,408)	(55,352)	(32,801)	(139,403)	0	(530,964)
Prepaid Items	0	0	0	53,119	0	53,119
Total Assets	$ 14,347,460	$ 4,978,057	$ 3,995,628	$ 13,689,787	$ 2,671,065	$ 39,681,997
LIABILITIES						
Accounts Payable	$ 156,885	$ 116,436	$ 0	$ 0	$ 109,344	$ 382,665
Accrued Payroll	38,162	0	0	0	0	38,162
Payroll Deductions Payable	3,701	5	0	0	0	3,706
Due to Other Funds	44,876	0	0	0	45,334	90,210
Due to State of Tennessee	355	0	0	0	0	355
Due to Litigants, Heirs, and Others	0	0	0	0	80	80
Other Current Liabilities	157,542	10,692	0	0	0	168,234
Total Liabilities	$ 401,521	$ 127,133	$ 0	$ 0	$ 154,758	$ 683,412
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 7,584,976	$ 1,383,745	$ 819,998	$ 3,484,990	$ 0	$ 13,273,709

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES (Cont.)						
Deferred Delinquent Property Taxes	$ 193,642	$ 35,326	$ 20,933	$ 88,971	$ 0	$ 338,872
Other Deferred/Unavailable Revenue	141,822	191,017	0	0	97,259	430,098
Total Deferred Inflows of Resources	$ 7,920,440	$ 1,610,088	$ 840,931	$ 3,573,961	$ 97,259	$ 14,042,679
FUND BALANCES						
Nonspendable:						
Prepaid Items	$ 0	$ 0	$ 0	$ 53,119	$ 0	$ 53,119
Restricted:						
Restricted for General Government	94,179	0	0	0	0	94,179
Restricted for Finance	26,768	0	0	0	0	26,768
Restricted for Administration of Justice	581,557	0	0	0	0	581,557
Restricted for Public Safety	0	0	0	0	318,685	318,685
Restricted for Public Health and Welfare	39,864	0	0	0	0	39,864
Restricted for Other Operations	159,676	0	0	0	0	159,676
Restricted for Highways/Public Works	0	3,069,539	0	0	0	3,069,539
Restricted for Debt Service	0	0	3,125,954	10,062,707	1,441,990	14,630,651
Restricted for Capital Projects	0	0	0	0	25,530	25,530
Committed:						
Committed for General Government	32,895	0	0	0	0	32,895
Committed for Finance	27,359	0	0	0	0	27,359
Committed for Public Health and Welfare	0	0	0	0	632,843	632,843
Committed for Highways/Public Works	0	171,297	0	0	0	171,297
Committed for Debt Service	0	0	28,743	0	0	28,743
Committed for Other Purposes	6,202	0	0	0	0	6,202
Assigned:						
Assigned for General Government	3,268,477	0	0	0	0	3,268,477

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES (Cont.)						
Assigned (Cont.):						
Assigned for Administration of Justice	$ 2,878	$ 0	$ 0	$ 0	$ 0	$ 2,878
Assigned for Public Safety	566,279	0	0	0	0	566,279
Assigned for Agriculture and Natural Resources	181	0	0	0	0	181
Assigned for Other Operations	7,386	0	0	0	0	7,386
Unassigned	1,211,798	0	0	0	0	1,211,798
Total Fund Balances	$ 6,025,499	$ 3,240,836	$ 3,154,697	$ 10,115,826	$ 2,419,048	$ 24,955,906
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 14,347,460	$ 4,978,057	$ 3,995,628	$ 13,689,787	$ 2,671,065	$ 39,681,997

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

Exhibit C-2

Hawkins County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

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)		$ 24,955,906
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,376,159	
Add: construction in progress	182,590	
Add: infrastructure net of accumulated depreciation	38,792,111	
Add: buildings and improvements net of accumulated depreciation	16,276,261	
Add: other capital assets net of accumulated depreciation	2,963,112	59,590,233
(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	$ (185,000)	
Less: other loans payable	(35,622,775)	
Less: capital leases payable	(182,748)	
Less: bonds payable	(44,810,000)	
Add: deferred amount on refunding	1,294,399	
Add: unamortized discount on debt	20,352	
Less: compensated absences payable	(612,747)	
Less: other deferred revenue - premium on debt	(337,515)	
Less: accrued interest on bonds, notes, other loans payable, and capital leases	(307,556)	
Less: other postemployment benefits liability	(3,809,000)	
Less: negative fair market value of interest rate swap	(2,450,175)	(87,002,765)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	$ 689,103	
Less: deferred inflows of resources related to pensions	(1,353,049)	(663,946)
(4) Net pension assets of the cost-sharing plan are not current financial resources and therefore are not reported in the governmental funds.		389,348
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		768,970
Net position of governmental activities (Exhibit A)		$ (1,962,254)

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

Exhibit C-3

Hawkins County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 8,598,450	$ 1,511,765	$ 964,945	$ 3,984,646	$ 1,474,543	$ 16,534,349
Licenses and Permits	2,296	0	0	0	133,925	136,221
Fines, Forfeitures, and Penalties	200,568	0	0	0	72,264	272,832
Charges for Current Services	130,561	2,243	0	0	20,133	152,937
Other Local Revenues	85,980	7,304	13,111	79,169	88,240	273,804
Fees Received from County Officials	2,346,030	0	0	0	0	2,346,030
State of Tennessee	2,710,799	2,309,516	0	0	137,687	5,158,002
Federal Government	780,934	0	6,229	361,248	370,112	1,518,523
Other Governments and Citizens Groups	275,766	0	0	899,342	993	1,176,101
Total Revenues	$ 15,131,384	$ 3,830,828	$ 984,285	$ 5,324,405	$ 2,297,897	$ 27,568,799
Expenditures						
Current:						
General Government	$ 2,605,705	$ 0	$ 0	$ 0	$ 0	$ 2,605,705
Finance	1,401,643	0	0	0	0	1,401,643
Administration of Justice	1,397,961	0	0	0	92,816	1,490,777
Public Safety	7,019,283	0	0	0	80,227	7,099,510
Public Health and Welfare	725,045	0	0	0	1,508,247	2,233,292
Social, Cultural, and Recreational Services	437,817	0	0	0	0	437,817
Agriculture and Natural Resources	150,215	0	0	0	0	150,215
Other Operations	888,952	0	0	0	0	888,952
Highways	58,061	3,816,373	0	0	0	3,874,434
Debt Service:						
Principal on Debt	59,968	2,701	1,062,397	2,261,791	360,000	3,746,857
Interest on Debt	3,111	140	571,300	2,797,200	143,703	3,515,454
Other Debt Service	0	0	185,454	124,541	4,900	314,895

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)						
Capital Projects	$ 0	$ 0	$ 0	$ 0	$ 893,869	$ 893,869
Total Expenditures	$ 14,747,761	$ 3,819,214	$ 1,819,151	$ 5,183,532	$ 3,083,762	$ 28,653,420
Excess (Deficiency) of Revenues Over Expenditures	$ 383,623	$ 11,614	$ (834,866)	$ 140,873	$ (785,865)	$ (1,084,621)
Other Financing Sources (Uses)						
Refunding Debt Issued	$ 0	$ 0	$ 9,460,000	$ 0	$ 0	$ 9,460,000
Premiums on Debt Issued	0	0	61,911	0	0	61,911
Insurance Recovery	61,191	4,700	0	0	16,558	82,449
Transfers In	0	125,000	0	113,071	0	238,071
Transfers Out	(238,071)	0	0	0	0	(238,071)
Payments to Refunded Debt Escrow Agent	0	0	(9,354,752)	0	0	(9,354,752)
Total Other Financing Sources (Uses)	$ (176,880)	$ 129,700	$ 167,159	$ 113,071	$ 16,558	$ 249,608
Net Change in Fund Balances	$ 206,743	$ 141,314	$ (667,707)	$ 253,944	$ (769,307)	$ (835,013)
Fund Balance, July 1, 2014	5,818,756	3,099,522	3,822,404	9,861,882	3,188,355	25,790,919
Fund Balance, June 30, 2015	$ 6,025,499	$ 3,240,836	$ 3,154,697	$ 10,115,826	$ 2,419,048	$ 24,955,906

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

Exhibit C-4

Hawkins 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, 2015

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)		$ (835,013)
(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	$ 646,188	
Less: current-year depreciation expense	(2,657,496)	(2,011,308)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Add: assets donated and capitalized	$ 30,043	
Less: book value of assets disposed	(74,385)	(44,342)
(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, 2015	$ 768,970	
Less: deferred delinquent property taxes and other deferred June 30, 2014	(1,110,233)	(341,263)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt related items.		
Add: principal payments on bonds	$ 1,740,000	
Add: principal payments on other loans	1,167,791	
Add: principal payments on notes	776,397	
Add: principal payments on capital leases	62,669	
Less: refunding bond proceeds	(9,460,000)	
Less: change in discount on debt	(5,107)	
Add: change in premium on debt issuances	91,287	
Add: principal amount of debt refunded	8,305,000	
Add: change in deferred amount on refunding debt	840,908	
Less: change in fair value of derivatives - interest rate swap	(179,244)	3,339,701
(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	$ 36,257	
Change in other postemployment benefits liability	(298,125)	
Change in compensated absences payable	(63,942)	
Change in net pension liability/asset	1,371,456	
Change in deferred outflows related to pensions	689,103	
Change in deferred inflows related to pensions	(1,353,049)	381,700
Change in net position of governmental activities (Exhibit B)		$ 489,475

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

Hawkins County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 8,598,450	$ 0	$ 0	$ 8,598,450	$ 8,351,795	$ 8,351,795	$ 246,655
Licenses and Permits	2,296	0	0	2,296	2,800	2,800	(504)
Fines, Forfeitures, and Penalties	200,568	0	0	200,568	204,560	204,560	(3,992)
Charges for Current Services	130,561	0	0	130,561	133,000	133,000	(2,439)
Other Local Revenues	85,980	0	0	85,980	17,800	18,380	67,600
Fees Received from County Officials	2,346,030	0	0	2,346,030	2,060,000	2,200,542	145,488
State of Tennessee	2,710,799	0	0	2,710,799	2,268,519	2,673,952	36,847
Federal Government	780,934	0	0	780,934	1,692,560	1,767,560	(986,626)
Other Governments and Citizens Groups	275,766	0	0	275,766	282,351	300,132	(24,366)
Total Revenues	$ 15,131,384	$ 0	$ 0	$ 15,131,384	$ 15,013,385	$ 15,652,721	$ (521,337)
Expenditures							
General Government							
County Commission	$ 108,607	$ 0	$ 0	$ 108,607	$ 96,060	$ 114,110	$ 5,503
Board of Equalization	5,557	0	0	5,557	8,912	8,912	3,355
Beer Board	1,182	0	0	1,182	2,492	2,492	1,310
Budget and Finance Committee	6,611	0	0	6,611	8,362	8,362	1,751
County Mayor/Executive	433,446	(8,560)	4,227	429,113	433,335	433,335	4,222
County Attorney	36,722	0	0	36,722	40,915	37,615	893
Election Commission	349,181	(11,288)	2,000	339,893	416,511	416,511	76,618
Register of Deeds	252,392	(1,496)	360	251,256	260,377	260,377	9,121
Planning	13,603	0	0	13,603	16,775	16,775	3,172
County Buildings	692,685	(86,204)	88,933	695,414	840,988	810,988	115,574
Other General Administration	704,190	(2,200)	6,575	708,565	708,010	721,487	12,922
Preservation of Records	1,529	0	0	1,529	1,400	1,550	21
Finance							
Property Assessor's Office	366,066	(6,700)	0	359,366	426,628	427,203	67,837
Reappraisal Program	135,113	0	0	135,113	141,219	141,219	6,106
County Trustee's Office	253,458	(9,700)	0	243,758	265,256	268,906	25,148
County Clerk's Office	647,006	(10,925)	0	636,081	650,433	650,433	14,352

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice							
Circuit Court Clerk	$ 603,116	$ 0	$ 913	$ 604,029	$ 626,802	$ 624,402	$ 20,373
Criminal Court	10,248	0	0	10,248	10,000	12,400	2,152
General Sessions Court	291,441	0	0	291,441	309,908	309,908	18,467
Drug Court	56,482	0	0	56,482	51,700	56,880	398
Chancery Court	209,608	0	1,965	211,573	98,645	239,187	27,614
Juvenile Court	155,509	0	0	155,509	158,046	161,456	5,947
Courtroom Security	71,557	0	5,075	76,632	129,098	134,852	58,220
Public Safety							
Sheriff's Department	3,376,225	(6,782)	248,441	3,617,884	3,747,654	3,836,692	218,808
Drug Enforcement	930	0	0	930	5,590	5,590	4,660
Administration of the Sexual Offender Registry	1,363	(200)	0	1,163	4,500	4,500	3,337
Jail	2,585,498	0	37,990	2,623,488	2,825,688	2,813,588	190,100
Juvenile Services	209,000	(8,830)	7,995	208,165	222,494	222,402	14,237
Fire Prevention and Control	237,000	0	0	237,000	237,485	237,485	485
Rescue Squad	100,000	0	0	100,000	100,000	100,000	0
Disaster Relief	0	0	0	0	11,401	3,000	3,000
Other Emergency Management	413,550	(780)	248,966	661,736	346,286	692,654	30,918
County Coroner/Medical Examiner	95,717	0	22,887	118,604	129,210	129,210	10,606
Public Health and Welfare							
Local Health Center	347,737	(7,834)	0	339,903	339,966	339,966	63
Ambulance/Emergency Medical Services	52,500	0	0	52,500	60,000	60,000	7,500
Other Local Health Services	303,682	0	0	303,682	443,200	450,000	146,318
Aid to Dependent Children	6,500	0	0	6,500	6,500	6,500	0
Other Public Health and Welfare	14,626	(1,512)	0	13,114	36,836	75,716	62,602
Social, Cultural, and Recreational Services							
Adult Activities	2,000	0	0	2,000	2,000	2,000	0
Senior Citizens Assistance	198,757	0	0	198,757	199,500	202,700	3,943
Libraries	101,000	0	0	101,000	101,000	101,000	0
Parks and Fair Boards	136,060	0	0	136,060	144,537	145,117	9,057

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Agriculture and Natural Resources							
Agricultural Extension Service	$ 77,670	$ (191)	$ 181	$ 77,660	$ 109,611	$ 109,611	$ 31,951
Forest Service	1,500	0	0	1,500	1,500	1,500	0
Soil Conservation	55,363	0	0	55,363	61,092	61,092	5,729
Flood Control	0	0	0	0	4,000	4,000	4,000
Storm Water Management	15,682	(5,000)	0	10,682	25,745	25,745	15,063
Other Operations							
Tourism	1,500	0	0	1,500	1,500	1,500	0
Industrial Development	311,788	(5,600)	3,486	309,674	340,438	358,459	48,785
Airport	182,359	(157,239)	142,135	167,255	1,079,574	1,139,574	972,319
Veterans' Services	80,537	0	0	80,537	83,807	83,807	3,270
Other Charges	3,700	0	0	3,700	0	3,700	0
Contributions to Other Agencies	27,500	0	0	27,500	27,500	27,500	0
Employee Benefits	60,748	0	0	60,748	156,900	146,725	85,977
Miscellaneous	220,820	(12,500)	3,900	212,220	273,238	234,563	22,343
Highways							
Litter and Trash Collection	58,061	0	0	58,061	65,104	68,229	10,168
Principal on Debt							
General Government	59,968	0	0	59,968	59,970	59,970	2
Interest on Debt							
General Government	3,111	0	0	3,111	7,115	7,115	4,004
Other Debt Service							
General Government	0	0	0	0	100	100	100
Total Expenditures	$ 14,747,761	$ (343,541)	$ 826,029	$ 15,230,249	$ 16,962,913	$ 17,620,670	$ 2,390,421
Excess (Deficiency) of Revenues Over Expenditures	$ 383,623	$ 343,541	$ (826,029)	$ (98,865)	$ (1,949,528)	$ (1,967,949)	$ 1,869,084
Other Financing Sources (Uses)							
Insurance Recovery	$ 61,191	$ 0	$ 0	$ 61,191	$ 0	$ 594	$ 60,597

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses) (Cont.)							
Transfers Out	$ (238,071)	$ 0	$ 0	$ (238,071)	$ (238,104)	$ (238,104)	$ 33
Total Other Financing Sources	$ (176,880)	$ 0	$ 0	$ (176,880)	$ (238,104)	$ (237,510)	$ 60,630
Net Change in Fund Balance	$ 206,743	$ 343,541	$ (826,029)	$ (275,745)	$ (2,187,632)	$ (2,205,459)	$ 1,929,714
Fund Balance, July 1, 2014	5,818,756	(343,541)	0	5,475,215	5,472,698	5,472,698	2,517
Fund Balance, June 30, 2015	$ 6,025,499	$ 0	$ (826,029)	$ 5,199,470	$ 3,285,066	$ 3,267,239	$ 1,932,231

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

Exhibit C-6

Hawkins County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 1,511,765	$ 0	$ 0	$ 1,511,765	$ 1,456,597	$ 1,456,597	$ 55,168
Charges for Current Services	2,243	0	0	2,243	2,000	2,000	243
Other Local Revenues	7,304	0	0	7,304	0	0	7,304
State of Tennessee	2,309,516	0	0	2,309,516	3,286,007	3,300,607	(991,091)
Total Revenues	$ 3,830,828	$ 0	$ 0	$ 3,830,828	$ 4,744,604	$ 4,759,204	$ (928,376)
Expenditures							
Highways							
Administration	$ 197,829	$ 0	$ 0	$ 197,829	$ 210,595	$ 228,595	$ 30,766
Highway and Bridge Maintenance	2,027,398	(8,414)	0	2,018,984	3,179,800	3,161,800	1,142,816
Operation and Maintenance of Equipment	465,327	0	0	465,327	888,600	903,200	437,873
Other Charges	190,154	0	0	190,154	210,549	210,549	20,395
Employee Benefits	354,548	0	0	354,548	410,200	410,200	55,652
Capital Outlay	581,117	(4,134)	29,634	606,617	2,048,500	2,048,500	1,441,883
Principal on Debt							
Highways and Streets	2,701	0	0	2,701	2,725	2,725	24
Interest on Debt							
Highways and Streets	140	0	0	140	175	175	35
Total Expenditures	$ 3,819,214	$ (12,548)	$ 29,634	$ 3,836,300	$ 6,951,144	$ 6,965,744	$ 3,129,444
Excess (Deficiency) of Revenues Over Expenditures	$ 11,614	$ 12,548	$ (29,634)	$ (5,472)	$ (2,206,540)	$ (2,206,540)	$ 2,201,068
Other Financing Sources (Uses)							
Insurance Recovery	$ 4,700	$ 0	$ 0	$ 4,700	$ 0	$ 0	$ 4,700
Transfers In	125,000	0	0	125,000	125,000	125,000	0
Total Other Financing Sources	$ 129,700	$ 0	$ 0	$ 129,700	$ 125,000	$ 125,000	$ 4,700
Net Change in Fund Balance	$ 141,314	$ 12,548	$ (29,634)	$ 124,228	$ (2,081,540)	$ (2,081,540)	$ 2,205,768
Fund Balance, July 1, 2014	3,099,522	(12,548)	0	3,086,974	3,094,549	3,094,549	(7,575)
Fund Balance, June 30, 2015	$ 3,240,836	$ 0	$ (29,634)	$ 3,211,202	$ 1,013,009	$ 1,013,009	$ 2,198,193

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

Exhibit D

Hawkins County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	Agency Funds
ASSETS	
Cash	$ 1,590,814
Equity in Pooled Cash and Investments	6,270
Accounts Receivable	194
Due from Other Governments	723,763
Taxes Receivable	1,201,479
Allowance for Uncollectible Taxes	(44,962)
Total Assets	$ 3,477,558
LIABILITIES	
Due to Other Funds	$ 1,627
Due to Other Taxing Units	1,886,550
Due to Litigants, Heirs, and Others	1,589,381
Total Liabilities	$ 3,477,558

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

HAWKINS COUNTY, TENNESSEE
Index of Notes to the Financial Statements

HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hawkins 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 Hawkins County:

A. Reporting Entity

Hawkins County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Hawkins County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Hawkins County School Department operates the public school system in the county, and the voters of Hawkins County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, 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 Hawkins County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hawkins County, and the Hawkins 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 Hawkins County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

The Hawkins County Industrial Development Board oversees industrial development and related services in the county industrial parks. The Hawkins County Industrial Development Board nominates, and the Hawkins County

Commission confirms the board members. In a prior year, the county agreed to assume the liability for a note issued by the Industrial Development Board. Due to this financial burden relationship, the board is reported as a discretely presented component unit. In the current year, the Industrial Development Board did not have an audit performed since the majority of operational expenditures are administered by Hawkins County through the county's General Fund and included in the audit scope of the county's annual audit. The board maintains a separate checking account that is used for economic development expenses for which it receives reimbursements from the Northeast Tennessee Valley Regional Industrial Development Association and the Workforce Investment Act Youth Program. Total deposits and disbursements of $13,147 and $9,379, respectively, were channeled through this account during the year. In our opinion, these deposits and disbursements are not material to the component units' opinion unit.

The Hawkins County Library System operates public libraries in Hawkins County, and the County Commission appoints its governing body. The Library System is funded primarily through contributions from Hawkins County and the various cities within the county. The financial statements of the Hawkins County Library System were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

The Hawkins 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 for the Hawkins County Emergency Communications District, Hawkins County Industrial Development Board, and Hawkins County Library System can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Hawkins County Emergency
Communications District
2291 East Main Street
Rogersville, TN 37857

Hawkins County Industrial
Development Board
107 East Main Street, Suite 221
Rogersville, TN 37857

Hawkins County Library System
407 East Main Street
Rogersville, TN 37857

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 Hawkins 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 Hawkins 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.

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 Hawkins County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Hawkins County does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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. 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. Hawkins County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

Fiduciary fund 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.

Hawkins County reports the following major governmental funds:

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

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

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

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

Additionally, Hawkins County reports the following fund types:

Capital Projects Funds – These funds are used to account for the acquisition or construction of major capital facilities and other capital assets.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Hawkins County, and the city school systems' shares of educational revenues. 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 Hawkins 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.

School Transportation Fund – This special revenue fund is used to account for transportation operations of the School Department. Local taxes and the state Basic Education Program are the foundational revenues of this fund.

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

Capital Projects Funds – These funds are used to account for building construction and renovations of the School Department.

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

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 Hawkins 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 debt service funds. Hawkins County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.96 percent of total taxes levied.

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

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

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

Most payables are disaggregated on the face of the financial statements. The Other Current Liabilities account reflected in the General Fund mainly represents remaining balances in the retirement clearing account. Amounts in the discretely presented School Department's General Purpose School Fund represent remaining balances in the insurance and retirement clearing accounts.

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

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 three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings	40
Building Improvements	7 - 30
Vehicles and Other Capital Assets	5 - 12
Infrastructure:	
Roads	20 - 50
Bridges	40

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

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to 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: pension changes in experience, pension changes in investment earnings, pension other deferrals, current and delinquent property taxes, and various receivables for revenues, which do not meet the availability criteria for governmental funds.

6. <u>Compensated Absences</u>

<u>Primary Government</u>

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation leave and an unlimited amount of sick leave benefits. There is no liability for unpaid accumulated sick leave since Hawkins County does not have a policy to pay any amounts 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.

<u>Discretely Presented School Department</u>

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The Hawkins County Board of Education has adopted policies allowing all 12-month employees who declare their intention to retire within the calendar year to be paid their unused vacation benefits as they accrue. Other 12-month employees are allowed to accumulate a limited amount (five days) of earned but unused vacation benefits.

All certified employees who are present for all scheduled days on the school calendar except for two days of personal leave and two days of professional leave shall receive a $300 bonus on their June 15 payroll check.

The Hawkins County Board of Education also allows all employees to be paid for any unused sick pay benefits upon retirement at a rate of $20 to $27 per unused day based on total days accumulated. Otherwise the granting of unused sick leave has no guaranteed payment attached.

A liability for these amounts is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

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 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 services expenditures.

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

Net pension assets of $389,348 is included in the Net Position Restricted for Other Purposes in the primary government. Net pension assets of $853,808 is included in the Net Position Restricted for Education in the discretely presented School Department.

As of June 30, 2015, Hawkins County had $62,122,775 in outstanding debt for capital purposes for the discretely presented Hawkins County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Rogersville School System and the City of Kingsport School System) based on an average daily attendance proration. This debt is a liability of Hawkins County, but the capital assets acquired are reported in the financial statements of the School Department, the City of Rogersville School System, and the City of Kingsport School System. Therefore, Hawkins County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission makes assignments for the general government and the Board of Education makes assignments for the School Department. Assigned fund balance in the primary government's General Fund includes encumbrances of $678,819, employee vacation pay of $25,000, unclaimed property refunds of $175,048, and fund balance appropriated for use in the 2015-16 year budget totaling $2,966,334. Assigned fund balance in the School Department's General Purpose School Fund includes encumbrances of $616,448, fund balance assigned for text books of $167,000, and fund balance appropriated for use in the 2015-16 budget totaling $535,904.

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. **Restatement**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68. government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement to decrease Hawkins County's beginning net position has been recognized on the Statement of Activities totaling $982,108. In addition, a restatement to decrease the discretely presented School Department's beginning net position totaling $11,337,738 has been recognized in the Statement of Activities for liabilities of the pension agent plan $1,859,639 and the pension cost-sharing plan $9,478,099.

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hawkins 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 change in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Hawkins 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, County Mayor/Executive, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

At June 30, 2015, Hawkins County and the Hawkins County School Department reported the following significant encumbrances:

Fund	Description	Amount
Primary Government:		
General	Airport Rehabilitation	$ 142,135
"	Radio System Upgrade	246,116
"	Police Cars	248,441
"	Roofing	68,763
School Department:		
General Purpose School	Grading	57,879
"	Wastewater Treatment Plant	519,041
School Transportation	Buses	320,836

B. Fund Balance Deficit

The School Federal Projects Fund (special revenue fund) of the discretely presented School Department had a deficit in unassigned fund balance of $7,947 at June 30, 2015. This deficit unassigned fund balance was liquidated when revenues were recognized after June 30, 2015.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hawkins County and the Hawkins 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 and statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2015, Hawkins County had the following investments carried at fair value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hawkins County and the discretely presented Hawkins County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturities		Fair Value
State Treasurer's Investment Pool	3 to 139	N/A	$	421

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. Hawkins 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. Hawkins County has no investment policy that would further limit its investment choices. As of June 30, 2015, Hawkins County's investments in the State Treasurer's Investment Pool was unrated.

B. Derivative Instrument

At June 30, 2015, Hawkins County had the following derivative instrument outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
$16M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	$ 16,000,000	12-1-09	6-1-29	Pay 3.5325% receive 58.75% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2015, classified by type, and the changes in fair value of such a derivative instrument for the year then ended as reported in the 2015 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2015		6-30-2015 Notional
Type	Classification	Amount	Classification	Amount	Amount
Governmental Activities					
Investment Derivative:					
Pay fixed interest rate swaps:					
$16M Swap	Interest and Investment Earnings	$ (179,244)	Debt	$ (2,450,175)	$ 16,000,000
Total		$ (179,244)		$ (2,450,175)	$ 16,000,000

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The swap agreement described above did not meet that criteria and therefore is classified as an investment derivative.

Derivative Swap Agreement Detail

$16M Swap

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series V-B-1.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its $16 million Series V-B-1 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series V-B-1 bonds have since been refunded with a portion of the proceeds of the Series VII-A-1 bonds, and the interest rate swap is now associated with the Series VII-A-1 bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.5325 percent and receives a variable payment computed as 58.75 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of $16 million and the associated variable-rate bond has a $16 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series VII-A-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2015, rates were as follows:

	Terms	Rate
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.5325 %
Variable payment from counterparty	% of LIBOR	-1.0458
Net interest rate swap payments		2.4867 %
Variable-rate bond coupon payments		0.6899
Synthetic interest rate on bonds		3.1766 %

Fair value. As of June 30, 2015, the swap had a negative fair value of $2,450,175. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2015, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+"

by Standard and Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard and Poor's, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should BMA increase to above 58.75 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 58.75 percent of LIBOR, then the synthetic rate on the bonds would decrease.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap Payment	Total
2016	$ 0	$ 110,380	$ 397,880	$ 508,260
2017	0	110,380	397,880	508,260
2018	0	110,380	397,880	508,260
2019	0	110,380	397,880	508,260
2020	1,275,000	110,380	397,880	1,783,260
2021-2025	7,375,000	411,338	1,482,725	9,269,063
2026-2029	7,350,000	129,869	468,131	7,948,000
Total	$ 16,000,000	$ 1,093,107	$ 3,940,256	$ 21,033,363

C. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government

Governmental Activities

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	$ 1,235,307	$ 140,852	$ 0	$ 1,376,159
Construction in Progress	394,800	120,583	332,793	182,590
Total Capital Assets Not Depreciated	$ 1,630,107	$ 261,435	$ 332,793	$ 1,558,749
Capital Assets Depreciated:				
Buildings and Improvements	$ 21,404,535	$ 168,380	$ 44,100	$ 21,528,815
Infrastructure	58,653,155	0	0	58,653,155
Other Capital Assets	8,701,941	579,209	109,292	9,171,858
Total Capital Assets Depreciated	$ 88,759,631	$ 747,589	$ 153,392	$ 89,353,828
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 4,693,146	$ 561,656	$ 2,248	$ 5,252,554
Infrastructure	18,409,093	1,451,951	0	19,861,044
Other Capital Assets	5,641,616	643,889	76,759	6,208,746
Total Accumulated Depreciation	$ 28,743,855	$ 2,657,496	$ 79,007	$ 31,322,344
Total Capital Assets Depreciated, Net	$ 60,015,776	$ (1,909,907)	$ 74,385	$ 58,031,484
Governmental Activities Capital Assets, Net	$ 61,645,883	$ (1,648,472)	$ 407,178	$ 59,590,233

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

Governmental Activities:

General Government	$ 219,248
Finance	8,085
Administration of Justice	5,733
Public Safety	650,107
Public Health and Welfare	141,770
Social, Cultural, and Recreational Services	11,882
Highway/Public Works	1,620,671
Total Depreciation Expense - Governmental Activities	$ 2,657,496

Discretely Presented Hawkins County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	$ 1,584,332	$ 0	$ 3,363	$ 1,580,969
Construction in Progress	280,173	657,038	802,846	134,365
Total Capital Assets Not Depreciated	$ 1,864,505	$ 657,038	$ 806,209	$ 1,715,334
Capital Assets Depreciated:				
Buildings and Improvements	$ 95,306,176	$ 939,233	$ 0	$ 96,245,409
Other Capital Assets	7,565,156	619,398	255,835	7,928,719
Total Capital Assets Depreciated	$ 102,871,332	$ 1,558,631	$ 255,835	$ 104,174,128
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 39,342,805	$ 3,417,538	$ 0	$ 42,760,343
Other Capital Assets	4,745,381	636,962	248,159	5,134,184
Total Accumulated Depreciation	$ 44,088,186	$ 4,054,500	$ 248,159	$ 47,894,527
Total Capital Assets Depreciated, Net	$ 58,783,146	$ (2,495,869)	$ 7,676	$ 56,279,601
Governmental Activities Capital Assets, Net	$ 60,647,651	$ (1,838,831)	$ 813,885	$ 57,994,935

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

Governmental Activities:

Instruction	$ 3,379,146
Support Services	612,767
Operation of Non-instructional Services	62,587
Total Depreciation Expense - Governmental Activities	$ 4,054,500

D. **Construction Commitments**

At June 30, 2015, the General Fund had uncompleted contracts of approximately $210,898 for renovations and construction projects. The Highway/Public Works Fund had $20,134 in uncompleted contracts for bridge construction. Funding for the future expenditures of the General Fund projects is expected to be provided from federal grants and available fund balance. Funding for the future expenditures of the Highway/Public Works Fund project is expected to be received from state grants.

The discretely presented School Department's General Purpose School Fund had uncompleted construction contracts of $576,921 for grading and construction. Funding for these future expenditures is being provided by available fund balance.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund		Amount
Primary Government:			
General	Nonmajor governmental	$	45,334
General	Agency		1,627
Highway/Public Works	General		5,258
General Debt Service	"		21,277
Nonmajor governmental	"		18,341
Discretely Presented School Department:			
General Purpose School	Nonmajor governmental		20,602
Nonmajor governmental	General Purpose School		1,412
School Transportation	Nonmajor governmental		5

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund		Amount
	Component Unit:		
Primary Government:	School Department:		
General	General Purpose School	$	12,666

Interfund Transfers:

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In Highway/ Public Works Fund	Education Debt Service Fund
General Fund	$ 125,000	$ 113,071

Discretely Presented Hawkins County School Department

Transfers Out	Transfers In General Purpose School Fund	Non-major Governmental funds
General Purpose School Fund	$ 0	$ 16,537
Nonmajor governmental funds	20,596	0
	$ 20,596	$ 16,537

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

F. **Capital Lease**

On April 10, 2013, Hawkins County entered into a five-year lease-purchase agreement for communications equipment ($222,354) and associated maintenance agreements ($95,000). The terms of the agreement require total lease payments of $317,354 plus interest of 1.5 percent. Title to the communications equipment transfers to Hawkins County at the end of the lease period. In the government-wide financial statements, the maintenance agreements were expensed in the year of acquisition because those items did not meet criteria of the county's capitalization policy. The General and Highway/Public Works funds are making the lease payments.

The assets acquired through the capital lease are as follows:

	Governmental Activities
Equipment	$ 222,354
Less: Accumulated Depreciation	(38,074)
Total Book Value	$ 184,280

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30		Governmental Funds
2016	$	65,920
2017		65,920
2018		54,933
Total Minimum Lease Payments	$	186,773
Less: Amount Representing Interest		(4,025)
Present Value of Minimum Lease Payments	$	182,748

G. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 29 years for bonds, up to seven years for notes, and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service, Special Debt Service, or Education Debt Service funds.

General obligation bonds, capital outlay notes, capital leases, and other loans outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate		Final Maturity		Original Amount of Issue		Balance 6-30-15
General Obligation Bonds - Refunding	2 to 3	%	5-1-19	$	7,380,000	$	4,370,000
General Obligation Bonds	1 to 6.25		6-1-38		43,370,000		40,440,000
Capital Outlay Notes	variable		6-1-16		743,000		185,000
Other Loans - Public Building Authorities	*		6-1-36		43,895,000		31,140,000
Other Loans - Qualified School Construction Bonds	0 to 1.515		9-15-27		4,973,000		3,618,757
Other Loans - Energy Efficient Schools Initiative	0		2-1-22		1,507,550		864,018
Capital Lease	1.5		4-10-18		317,354		182,748

(*) Interest rates for the Public Building Authority loans are presented in the next table.

In the prior year, the County Commission voted to assume payments on debt issued by the Hawkins County Industrial Development Board. The debt consisted of a bank loan with a balance of $687,149 at the time the county assumed responsibility for payments. The debt matured during the current year and was retired by the county. Proceeds of the debt were used by the board to construct an industrial speculative building. The county expects to be reimbursed for payments it made on this debt when the building is sold.

General obligation bonds reflected above include $20,620,000 of outstanding Build America Bonds, a federal program through which the county expects to receive future credits for a portion of the interest charges on the bonds.

The following table presents outstanding loan agreements with public building authorities. In addition to interest, the county pays various other fees (trustee, administrative, etc.) in connection with the variable rate loan.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-15	Interest Type	Interest Rate as of 6-30-15	Other Fees on Variable Rate Debt
Sevier County Public Building Authority					
Series VII-A-1	$ 16,150,000	$ 16,150,000	Variable (1)	0.69 %	0.25 %
Blount County Public Building Authority					
Series B-15-A	27,745,000	14,990,000	Fixed	3 to 5	N/A

(1) An interest rate swap agreement is associated with this loan. See Note IV.B., Derivative Instrument, for details of that swap agreement.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2015, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds Principal	Interest	Total
2016	$ 1,835,000	$ 2,005,928	$ 3,840,928
2017	2,075,000	1,950,152	4,025,152
2018	2,140,000	1,885,778	4,025,778
2019	2,200,000	1,818,327	4,018,327
2020	1,085,000	1,747,763	2,832,763
2021-2025	5,130,000	8,179,305	13,309,305
2026-2030	6,330,000	7,251,655	13,581,655
2031-2035	13,265,000	5,450,458	18,715,458
2036-2038	10,750,000	1,340,187	12,090,187
Total	$ 44,810,000	$ 31,629,553	$ 76,439,553

Year Ending June 30	Notes Principal	Interest	Total
2016	$ 185,000	$ 4,532	$ 189,532
Total	$ 185,000	$ 4,532	$ 189,532

Year Ending June 30	Other Loans Principal	Interest	Other Fees	Total
2016	$ 1,152,791	$ 962,231	$ 40,375	$ 2,155,397
2017	982,792	935,831	40,375	1,958,998
2018	1,002,792	916,231	40,375	1,959,398
2019	947,274	895,831	40,375	1,883,480
2020	2,217,035	865,955	40,375	3,123,365
2021-2025	12,219,409	3,814,294	150,376	16,184,079
2026-2030	10,125,682	2,529,305	47,438	12,702,425
2031-2035	6,000,000	1,016,562	0	7,016,562
2036	975,000	46,312	0	1,021,312
Total	$ 35,622,775	$ 11,982,552	$ 399,689	$ 48,005,016

There is $14,712,513 available in the debt service funds to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled $1,422, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2014	$ 37,090,000	$ 961,397	$ 45,095,566
Additions	9,460,000	0	0
Reductions	(1,740,000)	(776,397)	(9,472,791)
Balance, June 30, 2015	$ 44,810,000	$ 185,000	$ 35,622,775
Balance Due Within One Year	$ 1,835,000	$ 185,000	$ 1,152,791

	Capital Leases	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	$ 245,417	$ 548,805	$ 3,510,875
Additions	0	588,347	485,493
Reductions	(62,669)	(524,405)	(187,368)
Balance, June 30, 2015	$ 182,748	$ 612,747	$ 3,809,000
Balance Due Within One Year	$ 63,615	$ 459,560	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 85,222,270
Less: Balance Due Within One Year	(3,695,966)
Add: Unamortized Premium on Debt	337,515
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 81,863,819

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

Advance Refunding

On December 19, 2014, Hawkins County advance refunded a portion of an other loans issuance with a separate general obligation bond issue. The county issued $9,460,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt to its call date of June 1, 2018. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next 21 years will be reduced by $986,824, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of $730,354 was obtained.

Discretely Presented Hawkins County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Hawkins County School Department for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Compensated Absences	Termination Benefits
Balance, July 1, 2014	$ 1,213,311	$ 527,666
Additions	571,645	153,202
Reductions	(471,731)	(207,974)
Balance, June 30, 2015	$ 1,313,225	$ 472,894
Balance Due Within One Year	$ 478,122	$ 156,061

	Other Postemployment Benefits	Retirement Honorarium
Balance, July 1, 2014	$ 10,450,364	$ 660,325
Additions	1,877,749	41,714
Reductions	(978,828)	(24,813)
Balance, June 30, 2015	$ 11,349,285	$ 677,226
Balance Due Within One Year	$ 0	$ 5,705

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 13,812,630
Less: Balance Due Within One Year	(639,888)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 13,172,742

Compensated absences, other postemployment benefits, termination benefits, and retirement honorarium will be retired from the employing funds.

During the year, the School Department contributed $899,342 to the Education Debt Service Fund of the primary government to be applied toward certain debt instruments, which had been issued for the benefit of the School Department.

H. **On-Behalf Payments**

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Hawkins County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments made by the state to the Medicare Supplement Plan for the year ended June 30, 2015, were $3,700. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Hawkins County School Department

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

State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were $299,258 and $55,437, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Hawkins County provides commercial health insurance coverage for its employees. Prior to this year, Hawkins County had participated in a public entity risk pool for employee health and accident coverage. Settled claims did not exceed commercial insurance coverage during the year.

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation. The county participates in the Local Government Property and Casualty Fund and the Local Government Workers' Compensation Fund, which are public entity risk pools established to provide insurance coverage to member counties, instead of purchasing commercial insurance for these risks. The county pays monthly or annual premiums to these pools for its insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums.

Discretely Presented Hawkins County School Department

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 TN-RMT provides for it to be self-sustaining through member premiums.

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. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Subsequent Events

On July 6, 2015, Hawkins County entered into an Energy Efficient School Initiative loan agreement of $230,000 for heat and air conditioning upgrades at two county high schools. No funds have been drawn on this loan agreement as of the date of this report.

D. Contingent Liabilities

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

E. Change in Administration

On August 31, 2014, Patricia Courtney left the Office of Trustee and was succeeded by Jim Shanks, Carroll Jenkins left the Office of County Clerk and was succeeded by Nancy Davis, Sarah Davis left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Randall Collier.

F. Joint Ventures

Primary Government

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District, Greene, Hamblen, Hancock, and Hawkins counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hawkins County contributed $5,000 to the DTF for the year ended June 30, 2015.

The Upper East Tennessee Juvenile Detention Center was formed through a cooperative agreement between Hawkins County and the counties of Carter, Greene, Johnson, Sullivan, Unicoi, and Washington for the operation of a program to divert youth from commitment to the Department of Correction's facilities. The program is governed by a board of directors designated by the counties. The board of directors has contracted with Universal Health Services, Inc., to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population. Hawkins County's participation cost percentage is 11.7 percent. The county also pays a daily fee for each individual from their county using the facility.

Discretely Presented School Department

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

Hawkins County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the DTF, the Upper East Tennessee Juvenile Detention Center, and NETCO can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Office of District Attorney General
Third Judicial District Drug Task Force
124 Austin Street, Suite 3
Greeneville, TN 37745

Upper East Tennessee Regional
Juvenile Detention Center
307 Wesley Street
Johnson City, TN 37601

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

G. Jointly Governed Organization

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of *Tennessee Code Annotated*, and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the board of directors, along with the center's manager as an ex officio member, is in charge of the daily operation of the center.

H. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Hawkins County and non-certified employees of the discretely presented Hawkins County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 34.56 percent and the non-certified employees of the discretely presented School Department comprise 65.44 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee*

Code Annotated (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

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

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	381
Inactive Employees Entitled to But Not Yet Receiving Benefits	491
Active Employees	735
Total	1,607

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. Hawkins County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Hawkins County were $1,356,559 based on a rate of 8.68 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hawkins County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution 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)

Hawkins County's net pension liability (asset) was measured as of June 30, 2014, 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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	$ 48,232,057	$ 43,986,594	$ 4,245,463
Changes for the year:			
Service Cost	$ 1,292,383	$ 0	$ 1,292,383
Interest	3,618,616	0	3,618,616
Differences Between Expected and Actual Experience	(879,835)	0	(879,835)
Contributions-Employer	0	1,403,716	(1,403,716)
Contributions-Employees	0	766,561	(766,561)
Net Investment Income	0	7,260,957	(7,260,957)
Benefit Payments, Including Refunds of Employee Contributions	(2,552,469)	(2,552,469)	0
Administrative Expense	0	(28,022)	28,022
Other Changes	0	0	0
Net Changes	$ 1,478,695	$ 6,850,743	$ (5,372,048)
Balance, June 30, 2014	$ 49,710,752	$ 50,837,337	$ (1,126,585)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	34.56%	$ 17,180,036	$ 17,569,384	$ (389,348)
School Department	65.44%	32,530,716	33,267,953	(737,237)
Total		$ 49,710,752	$ 50,837,337	$ (1,126,585)

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

Hawkins County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 4,927,180	$ (1,126,585)	$ (6,187,961)

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

Pension Income. For the year ended June 30, 2015, Hawkins County recognized pension income of $53,260.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Hawkins 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
Differences Between Expected and Actual Experience	$ 0	$ 733,196
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,181,876
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	1,356,559	N/A
Total	$ 1,356,559	$ 3,915,072

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2014," 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	$	689,103	$	1,353,049
School Department		667,456		2,562,023
Total	$	1,356,559	$	3,915,072

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
2016	$ (942,108)
2017	(942,108)
2018	(942,108)
2019	(942,108)
2020	(146,639)
Thereafter	0

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

<u>Discretely Presented Hawkins County School Department</u>

<u>Non-certified Employees</u>

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Hawkins County and non-certified employees of the discretely presented Hawkins County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 34.56 percent and the non-certified employees of the discretely presented School Department comprise 65.44 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire 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. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the 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. Teachers contribute five percent of salary. 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, 2015, to the Teacher Retirement Plan were $30,125, which is four percent of pensionable 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. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Hawkins County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Hawkins County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	$ 30,125	N/A

The Hawkins County School Department's employer contributions of $30,125 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent

COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. 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 LEAs if the required employer contributions are not remitted. Employer contributions by the Hawkins County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were $2,465,735, which is 9.04 percent of pensionable 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 Assets. At June 30, 2015, the Hawkins County School Department reported an asset of $116,571 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Hawkins County School Department's proportion of the net pension asset was based on the Hawkins County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Hawkins County School Department's proportion was .717381 percent. The proportion measured as of June 30, 2013, was .727893 percent.

Pension Income. For the year ended June 30, 2015, the Hawkins County School Department recognized a pension income of $124,687.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Hawkins County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 283,005	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	9,604,718
Changes in Proportion of Net Pension Liability (Asset)	0	148,271
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	2,465,735	N/A
Total	$ 2,748,740	$ 9,752,989

The Hawkins County School Department's employer contributions of $2,465,735 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. 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
2016	$ (2,378,724)
2017	(2,378,724)
2018	(2,378,724)
2019	(2,378,724)
2020	22,456
Thereafter	22,456

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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 19,661,036	$ (116,571)	$ (16,490,285)

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 discretely presented Hawkins County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Hawkins County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Hawkins County School Department contributed $38,666 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

I. Other Postemployment Benefits (OPEB)

Primary Government

Plan Description

Hawkins County provides commercial health insurance benefits for pre-65 age retirees. For accounting purposes, the plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by the County Commission.

Funding Policy

The premium requirements of plan members are established and may be amended by the County Commission. The plan is funded on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums.

An employee who retires from Hawkins County becomes eligible for retiree health coverage upon the earlier of attaining either: (1) age 60 with five years of service and active coverage immediately preceding retirement or (2) any age with 30 years of service and active coverage from immediately preceding retirement. If the retiree is eligible for health insurance coverage, the coverage is also provided for the retiree's spouse and/or dependent children. Retirees are eligible to continue medical coverage until Medicare eligibility.

Annual OPEB Cost and Net OPEB Obligation

		Commercial Insurance Plan
ARC	$	540,283
Interest on the NOPEBO		140,435
Adjustment to the ARC		(195,225)
Annual OPEB cost	$	485,493
Amount of contribution		(187,368)
Increase/decrease in NOPEBO	$	298,125
Net OPEB obligation, 7-1-14		3,510,875
Net OPEB obligation, 6-30-15	$	3,809,000

Fiscal Year Ended	Plan		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed			Net OPEB Obligation at Year End
6-30-13	Local Government Group	$	551,313	15	%	$	3,188,613
6-30-14	"		395,286	18			3,510,875
6-30-15	Commercial Insurance		485,493	39			3,809,000

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, was as follows:

Actuarial valuation date		7-1-14
Actuarial accrued liability (AAL)	$	4,006,478
Actuarial value of plan assets	$	0
Unfunded actuarial accrued liability (UAAL)	$	4,006,478
Actuarial value of assets as a % of the AAL		0%
Covered payroll (active plan members)	$	8,216,934
UAAL as a % of covered payroll		48.76%

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

Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of nine percent for 2014, grading down to 5.5 percent for 2018 and 4.5 percent beyond 2018. Both rates include a 2.5 percent general inflation assumption. The unfunded actuarial accrued liability is being amortized as a level amount on an open basis over a 30-year period beginning July 1, 2014.

Discretely Presented Hawkins County School Department

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for health care benefits. The School Department also participates in the state-administered Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees, and Section 8-27-701, *TCA*, for the Medicare Supplement. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for health care benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tn.gov/finance/act/cafr.html.

In addition to the health care OPEB plans described above, the School Department also provides postemployment life insurance to retirees under the age of 70. The School Department contributes 100 percent of life insurance premiums.

Funding Policy

The premium requirements of health plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, the School Department contributed $852,897 to the postemployment health plan, $97,400 to the Medicare Supplement Plan, and $28,531 to the postemployment life insurance plan.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Schools - Medicare Supplement Plan	Schools - Life Insurance Plan
ARC	$ 1,626,000	$ 177,000	$ 67,604
Interest on the NOPEBO	369,766	40,939	5,274
Adjustment to the ARC	(360,242)	(39,884)	(8,708)
Annual OPEB cost	$ 1,635,524	$ 178,055	$ 64,170
Amount of contribution	(852,897)	(97,400)	(28,531)
Increase/decrease in NOPEBO	$ 782,627	$ 80,655	$ 35,639
Net OPEB obligation, 7-1-14	9,244,182	1,023,466	182,716
Net OPEB obligation, 6-30-15	$ 10,026,809	$ 1,104,121	$ 218,355

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	$ 2,161,109	39 %	$ 8,587,205
6-30-14	"	1,577,848	58	9,244,182
6-30-15	"	1,635,524	52	10,026,809
6-30-13	Schools - Medicare Supplement	245,134	27	937,413
6-30-14	"	171,966	50	1,023,466
6-30-15	"	178,055	55	1,104,121
6-30-13	Schools - Life Insurance	60,049	58	148,042
6-30-14	"	64,170	46	182,716
6-30-15	"	64,170	44	218,355

Funded Status and Funding Progress

The funded status of the plans was as follows:

	Local Education Group Plan	Schools - Medicare Supplement Plan	Schools - Life Insurance Plan
Actuarial valuation date	7-1-13	7-1-13	7-1-14
Actuarial accrued liability (AAL)	$ 12,930,000	$ 2,408,000	$ 760,913
Actuarial value of plan assets	$ 0	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 12,930,000	$ 2,408,000	$ 760,913
Actuarial value of assets as a % of the AAL	0%	0%	0%
Covered payroll (active plan members)	$ 35,696,551	$ N/A	35,295,842
UAAL as a % of covered payroll	36%	N/A	2%

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education Group, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The annual health care cost trend rate for the Medicare Supplement Plan was six percent for fiscal year 2015. The trend will increase to six percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.2 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

In the July 1, 2014, actuarial valuation of the schools' life insurance plan, the unit credit actuarial cost method was used. The actuarial assumptions included a three percent discount rate. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over a 30-year period beginning with June 30, 2009.

J. Termination Benefits and Retirement Honorarium

The discretely presented School Department offers a voluntary termination benefits plan to its employees. To be eligible, employees must have 30 years of credible service in the Tennessee Consolidated Retirement System and no less than ten years of service with the Hawkins County School System. Under the plan, employees who accept the benefit shall receive an annual amount equal to ten percent of their total compensation based on the highest annual salary of their last three years of employment. Benefits shall begin in July following retirement and continue until they reach the age of 62, or for a maximum of seven years, whichever is less. In the event an employee dies during the term of the agreement, the designated beneficiary shall continue to receive the payments for the remainder of the fiscal year of the employee's death. During the year, 63 retirees participated in the program. The estimated cost of the cash payments reported in the government-wide Statement of Net Position is $472,894. The School Department determined this liability by calculating the total cash payments due over the next six years. Of that amount, $156,061 is due within one year.

In addition to the previously mentioned retirement incentive, the discretely presented School Department offers a retirement honorarium payment. To be eligible, certified employees must retire with at least ten years of service. Under the terms of the plan, employees receive $100 for each year of service with Hawkins County up to a maximum of 20 years. As of June 30, 2015, 377 employees met the requirement of this benefit. The estimated cost of these cash payments reported in the government-wide Statement of Net Position is $677,226. Of that amount, $5,705 is due within one year. The governmental funds' financial statements reflect retirement honorarium expenditures of $24,813 in the General Purpose School Fund.

K. Purchasing Law

Purchasing procedures for all departments of Hawkins County, including the discretely presented Hawkins County School Department, are governed by provisions of Chapter 256, Private Acts of 1957, as amended. This act provides for the county mayor to make all purchases and for purchases exceeding $10,000 to be made after public advertisement and solicitation of competitive bids.

Copies of the complete financial statements of the County for the current Fiscal Year are available at http://www.comptroller.tn.gov/la/CountySelect.asp.