NEW ISSUE
BOOK-ENTRY-ONLY

PRELIMINARY OFFICIAL STATEMENT

$8,915,000*
COFFEE COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

OFFERED FOR SALE NOT SOONER THAN

Wednesday, September 14, 2016 at 10:15 A.M. E.D.T.
Through the Facilities of ***PARITY***®
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Financial Advisor

September 8, 2016

*Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 8, 2016

NEW ISSUE Rating: S&P – "A+"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating" herein)

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

$8,915,000*
COFFEE COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

Dated: Date of delivery (Assume October 5, 2016). Due: June 1, as shown below.

The $8,915,000* General Obligation Refunding Bonds, Series 2016 (the "Bonds") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2017 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the 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".

The Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022.

Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**	Due (June 1)	Amount*	Interest Rate	Yield	CUSIP**
2017	$ 260,000				2029	$ 385,000			
2018	330,000				2030	395,000			
2019	335,000				2031	405,000			
2020	340,000				2032	410,000			
2021	345,000				2033	420,000			
2022	345,000				2034	430,000			
2023	350,000				2035	440,000			
2024	355,000				2036	455,000			
2025	360,000				2037	465,000			
2026	365,000				2038	480,000			
2027	375,000				2039	490,000			
2028	380,000								

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Robert L. Huskey, Esq., counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about October __, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

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

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

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

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

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

COFFEE COUNTY, TENNESSEE

OFFICIALS

County Mayor	Gary Cordell
County Clerk	Teresa McFadden
Director of Accounts and Budgets	Marianna Edinger
Director of Schools	Dr. LaDonna McFall
Assessor of Property	Jimmy White

BOARD OF COUNTY COMMISSIONERS

Diane Argraves	Missy Deford	Kimberly Martin
B. Rush Bricken	Jackie Duncan	Tim Morris
Bobby H. Bryan	Kerry Farrar	David Orrick
Barbara Buckner	Dennis Hunt	Major Shelton
Rosemary Crabtree	Steven R. Jones	Harold G. Speer
Michael “Todd” Crockett	Mark C. Kelly	Tim Stubblefield
Margaret Cunningham	Sam Mai	Warren G. Walker

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

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

The Issuer	Coffee County, Tennessee (the "County" or "Issuer"). See APPENDIX B contained herein.
Securities Offered	$8,915,000* General Obligation Refunding Bonds, Series 2016 (the "Bonds") of the County, dated the date of issuance (assume October 5, 2016). The Bonds mature each June 1 beginning June 1, 2017 through June 1, 2040, inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information.
Security	The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Debt (as defined herein) of the County, as described herein; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED - Authority and Purpose" contained herein.
Optional Redemption	The Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022. See the 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	S&P: "A+". See the section entitled "MISCELLANEOUS - Rating" for more information.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS-Financial Advisor; Related parties; Other" herein.
Underwriter	________________.

*Preliminary, subject to change.

Bond Counsel	Bass, Berry & Sims PLC, Nashville, Tennessee.
Book-Entry Only	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry-Only System"
Registration Agent	Regions Bank, Nashville, Tennessee.
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See "SECURITIES OFFERED" herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."
Other Information	The information in this *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the County or this *Preliminary Official Statement* contact Gary Cordell, County Mayor, 1327 McArthur Street, Suite 1, Manchester, TN 37355, Telephone: (931) 723-5100; 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

For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Beginning Fund Balance	$ 1,738,516	$ 1,491,746	$ 3,075,591	$ 2,151,357	$ 1,375,337
Revenues	15,675,119	19,059,502	15,983,383	15,812,105	18,796,185
Expenditures	16,319,758	19,163,514	16,776,030	16,453,043	17,454,557
Revenues Over Expenditures:	(644,639)	(104,012)	(792,647)	(640,938)	1,341,628
Other Loans Issued	-	1,750,000	-	-	-
Insurance Recovery	-	11,238	15,165	-	-
Transfers In	397,869	-	-	-	-
Transfers Out	-	(73,381)	(146,752)	(135,082)	(136,117)
Ending Fund Balance	**$ 1,491,746**	**$ 3,075,591**	**$ 2,151,357**	**$ 1,375,337**	**$ 2,580,848**

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

SUMMARY NOTICE OF SALE

$8,915,000*

COFFEE COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

NOTICE IS HEREBY GIVEN that the County Mayor of Coffee County, Tennessee (the "County") will receive electronic or written bids until **10:15 a.m. E.D.T.** on **Wednesday, September 14, 2016** for the purchase of all, but not less than all, of the County's $8,915,000* General Obligation Refunding Bonds, Series 2016 (the "Bonds"). Electronic bids must be submitted through ***PARITY®*** as described in the "Detailed Notice of Sale". In case of written bids, bids will be received by the County's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY®*** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours' notice via Bloomberg News Service and/or the ***PARITY®*** System.

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

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume October 5, 2016). The Bonds will mature on June 1 in the years 2017 through 2040, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2017, and will be subject to optional redemption prior to maturity on or after June 1, 2022 at par plus accrued interest. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the County's Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee (865) 988-2663. 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/ Gary Cordell
County Mayor

*Preliminary, subject to change.

DETAILED NOTICE OF SALE

$8,915,000*

COFFEE COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

NOTICE IS HEREBY GIVEN that the County Mayor of Coffee County, Tennessee (the "County") will receive electronic or written bids until 10:15 a.m. E.D.T. on Wednesday, September 14, 2016 for the purchase of all, but not less than all, of the County's $8,915,000* General Obligation Refunding Bonds, Series 2016 (the "Bonds"). Electronic bids must be submitted through *PARITY*® as described in the "Detailed Notice of Sale." In case of written bids, bids will be received by the County's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY***® System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours' notice via Bloomberg News Service and/or the ***PARITY***® System.

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance (assume October 5, 2016), bear interest payable each June 1 and December 1, commencing June 1, 2017, be issued, or reissued upon transfer, in $5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature and be payable as follows:

YEAR (June 1)	AMOUNT*	YEAR (June 1)	AMOUNT*
2017	$ 260,000	2029	$ 385,000
2018	330,000	2030	395,000
2019	335,000	2031	405,000
2020	340,000	2032	410,000
2021	345,000	2033	420,000
2022	345,000	2034	430,000
2023	350,000	2035	440,000
2024	355,000	2036	455,000
2025	360,000	2037	465,000
2026	365,000	2038	480,000
2027	375,000	2039	490,000
2028	380,000		

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

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount of $5,000 for the Bonds and any integral multiple of $5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only system is not required.

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

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

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

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

Optional Redemption. The Bonds maturing on June 1, 2023 and thereafter are subject to optional redemption prior to maturity at the option of the County on or after June 1, 2022 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

Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the County at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the manner provided above for optional redemption of Bonds within a single maturity.

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

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

The County reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted. Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the County to accept or reject "Bids for Bonds".

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

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

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 or if the refundings fail to save the County the funds necessary to complete the refundings. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to $2,250,000. The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the County. Additionally, the County Mayor reserves the right to change the dated date of the Bonds. The maximum adjustment will only occur if the bidder bids the maximum price.

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

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

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Financial Advisor (wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the County's Financial Advisor no later than the close of business on the day following the competitive sale. A wire 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 underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);

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

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

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

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

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

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

Official Statements; Other. The County has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The County will furnish the successful bidder at the expense of the County a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of the bid will constitute a contract between the County and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Financial Advisor, Cumberland Securities Company, Inc., 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/ Gary Cordell, County Mayor

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BID FORM

Honorable Gary Cordell County Mayor September 14, 2016
1327 McArthur Street, Suite 1
Manchester, Tennessee 37355

Dear Mr. Cordell:

For your legally issued, properly executed $8,915,000* General Obligation Refunding Bonds, Series 2016 (the "Bonds") of Coffee County, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of ________________________________ ____________________ ($______________________).

The Bonds shall be dated the date of issuance (assume October 5, 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:

Maturity (June 1)	Amount*	Rate	Maturity (June 1)	Amount*	Rate
2017	$ 260,000	___	2029	$ 385,000	___
2018	330,000	___	2030	395,000	___
2019	335,000	___	2031	405,000	___
2020	340,000	___	2032	410,000	___
2021	345,000	___	2033	420,000	___
2022	345,000	___	2034	430,000	___
2023	350,000	___	2035	440,000	___
2024	355,000	___	2036	455,000	___
2025	360.000	___	2037	465,000	___
2026	365,000	___	2038	480,000	___
2027	375,000	___	2039	490,000	___
2028	380,000	___			___

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

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

It is our understanding that the Bonds are offered for sale as "qualified tax exempt obligations" subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Nashville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the County without cost to us.

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

Accepted for and on behalf of the
Coffee County, Tennessee, this
14th day of September, 2016.

____
Gary Cordell, County Mayor

Respectfully submitted,

____
____

Total interest cost from
October 5, 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.

$8,915,000*
COFFEE COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Coffee County, Tennessee (the "County") of $8,915,000* General Obligation Refunding Bonds, Series 2016 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 et. seq., *Tennessee Code Annotated,* and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on September 13, 2016 (the "Resolutions").

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

REFUNDING PLAN

The County is proposing to refinance the County's outstanding General Obligation Bonds, Series 2013A, dated August 28, 2014, payable on October 28, 2016 and thereafter (the "Outstanding Bonds"). A portion of the proceeds of the Bonds, together with available funds of the County, if any, will be deposited directly to the holder of the Outstanding Bonds on or about the dated date of the Bonds, in full redemption of the Outstanding Bonds.

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the "Plan") for the Outstanding Debt was submitted to the Director of the Office of State and Local Finance for review, and a report was received thereon.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery (assume October 5, 2016). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2017. The Bonds are issuable in book-entry-only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

*Preliminary, subject to change.

SECURITY

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022 at a redemption price of par plus accrued interest.

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

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

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the

Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected shall be selected in the manner described above relating to optional redemption.

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

Maturity	Redemption Date	Principal Amount of Bonds Redeemed

*Final Maturity

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

NOTICE OF REDEMPTION

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

DISPOSITION OF BOND PROCEEDS

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

(a) A portion of the proceeds from the sale of the Bonds, together with such other County funds as may be identified by the Mayor shall be deposited directly with the holder of the Outstanding Bonds in full redemption thereof; and

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

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the

Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

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

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Nashvill, 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 bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

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

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

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

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

State Taxes

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

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MISCELLANEOUS

RATING

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

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

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on September 14, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated September 8, 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 less an original issue discount of $__________) or ____% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing captial needs that may or may not require the issuance of additional debt. The County may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

DEBT LIMITATIONS

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

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information 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, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. In the past five years, the County has filed its Annual Reports at www.emma.msrb.org under the base CUSIP Number 192162 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 SEC Rule 15c2-2. With the exception of the foregoing, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12.

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

1. Summary of Long-term indebtedness as of the end of such fiscal year as shown on page B-10;

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-11 through 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. Information about the Bonded Debt Service Requirements – Rural High School Debt Service Fund as of the end of such fiscal year as shown on page B-16;

5. Information about the Bonded Debt Service Requirements – Rural School Debt Service Fund as of the end of such fiscal year as shown on page B-17;

6. The fund balances and retained earnings for the fiscal year as shown on page B-18;

7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-19;

8. 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-25;

9. 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-26; and

10. The ten largest taxpayers as shown on page B-26.

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.

(The remainder of this page left blank intentionally.)

CERTIFICATION OF THE COUNTY

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

/s/____________________________
County Mayor

ATTEST:

/s/____________________________
County Clerk

APPENDIX A

LEGAL OPINION

(Closing Date)

Board of County Commissioners
of Coffee County, Tennessee
Manchester, Tennessee

____
____

Ladies and Gentlemen:

We have acted as bond counsel to Coffee County, Tennessee (the "Issuer") in connection with the issuance of its $________ General Obligation Refunding Bonds, Series 2016, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) 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 the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income

retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

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

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

Yours truly,

20432071.1

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Coffee County (the "County") is located in the south central portion of the State of Tennessee. The County is bounded to the north by Cannon County and to the south by Franklin County and Moore County. To the east the County is bordered by Warren and Grundy County and predominantly bordered to the west by Bedford County. The City of Manchester (the "City"), the County seat, is approximately 64 miles southeast of Nashville and 69 miles northwest of Chattanooga. The City of Tullahoma is located primarily in Coffee County with a portion in Franklin County.

GENERAL

The County land area is approximately 278,000 acres, or 435 square miles, in size. The majority of the County lies along the Highland Rim, a natural division of the state, at an average elevation of 1,050 feet above sea level. The general relief of the Highland Rim is gently rolling to rolling and has traditionally been a fertile farming area producing a variety of crops such as hay, corn, potatoes, cotton, tobacco and fruits. Farming accounts for about 72% of the County's land use. Aside from farming, livestock, poultry and dairy products are a major industry.

Tullahoma was designated a Micropolitan Statistical Area (the "mSA") that had a population of 100,210 according to the 2010 US Census. An mSA is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents. The mSA includes Coffee, Franklin and Moore Counties. According to the 2010 Census, Coffee County has a population of 52,796 and Manchester has 10,102. The 2010 Census puts the City of Tullahoma's population at 18,655.

TRANSPORTATION

Interstate 24 runs through the County with 4 exits in Manchester. Transportation is also provided by US Highway 41 and State Highways 53, 55 and 130. Rail service is provided by CSX Transportation. The County has a community airport, the Tullahoma Regional / Northern Field Airport with a 5,001 foot runway. The Nashville International Airport located about 70 miles away is the closest commercial airport to the County.

EDUCATION

The *Coffee County School System* has seven elementary grade schools, one middle school and two high schools. The fall 2014 enrollment was 4,575 students with about 292 teachers. The *City of Manchester* has a school system made up of two elementary grade schools and one grade middle school. Fall 2014 student population was 1,328 with 98 teachers. The *City of Tullahoma* also has a school system with four elementary schools, two middle schools and one high school. Total fall 2014 enrollment for this system was 3,513 with 225 teachers.

Source: Tennessee Department of Education.

There are five colleges within a 35-mile radius:

Middle Tennessee State University in Murfreesboro was founded in 1911 as one of three state normal schools for teacher training. MTSU is now the oldest and largest public university in Middle Tennessee, and is a Tennessee Board of Regents Institution. The campus consists of 137 buildings on 504 acres and had a fall 2014 enrollment of 23,006. MTSU offers Bachelor degrees in eight areas: Arts, Business Administration, Fine Arts, Music, Science, Science in Nursing, Social Work, and University Studies. The College of Graduate Studies confers Master's degrees in ten areas, the Specialist in Education degree, the Doctor of Arts degree, and the Doctor of Philosophy degree.

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

Motlow State Community College is an accredited public comprehensive community college that had a fall 2014 enrollment of 4,793 students. The college was founded in 1969 and is located in Tullahoma in Coffee County, Tennessee. The associate degree program offers students an opportunity to earn an Associate of Arts or Associate of Science degree designed for transfer to a four-year-college or university. Motlow State has offices and classrooms in Fayetteville, McMinnville and Smyrna.

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

Sewanee: The University of the South. The University of the South, popularly known as Sewanee, is a private school located on a 13,000-acre campus atop Tennessee's Cumberland Plateau in Franklin County. Founded by leaders of the Episcopal Church in 1857, Sewanee continues to be owned by 28 Episcopal dioceses in 12 states and is committed to an academic curriculum which focuses on the liberal arts as the most enlightening and valuable form of undergraduate education. The University consists of a College of Arts and Sciences which offers 36 majors, 27 minors, and 15 special programs, along with pre-medicine, pre-nursing, pre-law, and pre-business. Sewanee has about 1,400 students enrolled.

Source: University of the South and Franklin County Chamber of Commerce.

The *University of Tennessee Space Institute* (UTSI) is a graduate education and research institution located outside of Tullahoma, Tennessee adjacent to the U. S. Air Force Arnold Engineering Development Center. UTSI was established in 1964 as part of The University of Tennessee and has become an internationally recognized institution for graduate study and research in engineering, physics, mathematics, and aviation systems and has made remarkable contributions at the local, state, national, and global levels. Almost 1,500 graduate degrees -- including more than 180 doctorates -- have been awarded through UTSI.

UTSI is an institution unlike any in the United States, perhaps even the entire world. It plays a unique role of vital importance to the US Air Force, and is thus a critical element in the preservation of freedoms and security that Americans have long come to enjoy. It was founded in the wake of two technological revolutions – the development of the airplane and the development of the rocket. In the years since 1964, UTSI’s faculty, students, and alumni have played critical roles in the furthering of American technological superiority in aeronautics and space arenas.

Source: University of Tennessee Space Institute.

The Tennessee Technology Center at Murfreesboro. The Tennessee Technology Center at Murfreesboro 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 Murfreesboro serves the central region of the state including Rutherford, Wilson, Cannon, and Coffee Counties. The Technology Center at Murfreesboro began operations in 1967, and the main campus is located in Rutherford County. Fall 2013 enrollment was 5,544 students.

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

MEDICAL

Harton Regional Medical Center. Harton Regional Medical Center is presently a 135-licensed bed acute hospital located in Tullahoma in Coffee County. There are over 75 full-time physicians on staff specializing in over 25 specialties. In early 2015 construction was completed on a $4.9 million expansion of the critical care unit. The 10,000 square foot CCU triples the size of the former space, expanding the unit from eight to 14 all-private rooms.

The facility first opened in 1965 with 47 beds. Harton Regional is part of the Health Management Associates (the "HMA") with other facilities in Jamestown and Lebanon. Health Management Associates was founded in 1977 to own, lease and manage hospitals throughout the United States. HMA currently operates 56 hospitals in 15 states with approximately 8,000 licensed beds. The Company hosts a medical staff of approximately 10,000 physicians.

Source: Health Management Associates, Inc.

Unity Medical Center. Unity Medical Center is a physician-owned, acute-care, full-service community hospital. In 2015 Unity Medical Center was created from combining operations of the United Regional Medical Center (the "URMC") of Manchester with the Medical Center of Manchester (the "MCM"). All of the URMC operations were moved to the MCM facility about 3 miles away. URMC was formerly known as the Coffee Medical Center (built in 1954) until it was bought in 2002 by a group of 44 physicians.

Source: Manchester Times.

MANUFACTURING AND COMMERCE

Arnold Engineering Development Center (Arnold Air Force Base). Arnold Engineering Development Center (or "AEDC") is located both in Coffee and Franklin Counties on a 41,300 acre site. The Center is the most advanced and largest complex of flight simulation test facilities in the world with a replacement value of more than $11.8 billion. The total economic impact for fiscal year 2014 is estimated to be $620.9 million. They continue to be a leader in aerospace ground testing and a vital element in our nation's defense. They have made major contributions in the development of nearly every aerospace weapon system in the DOD inventory today. Twenty-seven of the center's test units have capabilities unmatched elsewhere in the United States; 14 are unique in the world. This is a joint venture between the U.S. Air Force and civilian contractors.

AEDC employs a mixture of active-duty military personnel from the Air Force and Navy; Department of Defense civilians; and contractor personnel, which totaled 2,310 personnel in 2014. Of the 2,310 personnel, 52 were active-duty military; two Air Force Reserve and National Guard; 291 appropriated fund civilian employees (includes general schedule, federal wage board and other military branches); 60 government non-appropriated fund employees; 30 other civilians (credit union, Base Exchange and commissary tenants); and 1,875 contractor and sub-contractor employees.

Bonnaroo Music Festival. The County is also host to the Bonnaroo Music Festival that brings in over 85,000 people each year. The last time a study was conducted, in 2012, Bonnaroo had a $51 million economic impact and direct local spending reached $36 million. Bonnaroo also contributes $3 from each ticket sold to the Manchester and Coffee County governments. That money has helped build a community arts center and recreation center. The festival also allows local organizations to run concession booths, which bring between $15,000 and $25,000 annually.

Source: Manchester Area Chamber of Commerce and Knoxville News Sentinel.

Industrial Parks. Coffee County (including the cities of Manchester and Tullahoma) has available industrial property in three industrial parks totaling almost 1,600 acres. The County owns two of these parks: Coffee County Interstate Industrial Park is 795 acres 1.5 miles southeast of Manchester and Coffee County Joint Industrial Park is 415 acres 6 miles southwest of Manchester. Manchester Industrial Park is 405 acres owned by the City and is 5 miles southeast of Manchester.

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A partial list of the major employers in the County follows:

Major Employers in Coffee County

Company	Product	Employees
Aerospace Testing Alliance	Environmental Testing	2,235
M-Tek, Inc.	Interior Auto Parts	1,577
Harton Regional Medical Center	Hospital	550
Batesville Casket Company	Steel Caskets	408
VIAM Manufacturing	Auto Floor Mats	370
Great Lake Cheese	Cheeses	300
Van-Rob Manchester	Metal stampings	300
United Technologies Aerospace	Aircraft Landing Gear	300
TE Connectivity	Electrical Connectors	239
Cubic Transportation Systems	Sheet Metal Work	235
Wisco Envelope Co.	Commercial envelopes	202
JSP International	Engineered Plastic Foam	177
Jacobs Technology, Inc.	Manufacturing	170
Schmiede Corp.	Precision Machinery	157
Sonoco Corporation	Custom Molded Packaging	150
City of Tullahoma	Government	139
City of Manchester	Government	136
Ravago Mfg. Americas, LLC	Nylon / ABS compounding	121
Technology Group-Sverdrup Center	Manufacturing	115
Reliable Carriers	Trucking Warehousing	105
Tullahoma Industries	Government Apparel	100
Coca-Cola Bottling	Soft Drinks	95
Tennessee Apparel Corp.	Clothing	94
Aspen Technologies	Molded Polyurethane Foam	78
MDS Foods South, LLC	Distribution	77
US Display Group	Manufacturing	75
Rogers Group, Inc.	Construction	75
Rock Tenn-Tullahoma Laminated	Manufacturing	67
Micro Craft Inc.	Manufacturing	61
Marcole Industries, Inc.	Wiring Harness	60
Tullahoma News	Publishing Company	60
Fischer Tool & Die	Tool and Die Manufacturing	56
MCA Fabrication, Inc.	Sheet Metal Displays	53
MKC Manufacturing, LLC	Fabrication & Powder Coating Racks	51

Source: Middle Tennessee Industrial Development Association, Coffee County Chamber of Commerce and The Tullahoma News - 2015.

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EMPLOYMENT INFORMATION

As of June 2016, the unemployment rate in Coffee County stood at 4.9%, representing 23,600 persons employed out of a workforce of 24,820.

For the month of June 2016, the unemployment rate for the Tullahoma mSA stood at 5.1% with 44,860 persons employed out of a labor force of 47,260.

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%
Coffee County	**9.3%**	**7.5%**	**7.3%**	**6.3%**	**5.6%**
Index vs. National	104	93	99	102	106
Index vs. State	101	94	89	94	97
Tullahoma mSA	**9.3%**	**7.6%**	**7.4%**	**6.1%**	**5.4%**
Index vs. National	104	94	100	98	102
Index vs. State	101	95	90	91	93

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

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
Coffee County	**$32,712**	**$34,107**	**$35,611**	**$35,871**	**$37,295**
Index vs. National	81	80	80	81	81
Index vs. State	92	91	91	91	92
Tullahoma mSA	**$31,302**	**$32,709**	**$34,298**	**$34,746**	**$36,134**
Index vs. National	78	77	77	78	78
Index vs. State	88	88	88	88	89

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

Social and Economic Characteristics

	National	Tennessee	Coffee County	Manchester	Tullahoma
Median Value Owner Occupied Housing	$175,700	$139,900	$118,000	$112,500	$118,700
% High School Graduates or Higher	86.3%	84.9%	83.2%	80.0%	87.1%
% Persons with Income Below Poverty Level	14.8%	18.3%	16.8%	29.2%	19.2%
Median Household Income	$53,482	$44,621	$39,656	$38,063	$35,665

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

RECREATION

Recreation within the County is centered on water activities which take place on the County's three major lakes: Tim's Ford Reservoir, Wood's Reservoir and Normandy Reservoir. Combined, the three lakes provide the County with 406 miles of shoreline and 17,900 acres of water area for recreation. In addition, there are three state parks in the area: Old Stone Fort State Park, Tim's Ford State Park and the Civil War cemetery site in Beech Grove.

Bonnaroo Music Festival. The Bonnaroo Music Festival now has a permanent home in Manchester, Tennessee on 530 acres. The festival that Rolling Stone dubbed, "the American rock festival to end all festivals," attracts nearly 90,000 music fans from around the globe each year. Festival goers make the trek to Manchester to hear top headlining acts like Tom Petty, Dave Matthews, The Police and The Dead rock out on a variety of stages. Each of the 50 states is represented at the Bonnaroo Music Festival, along with 24 countries. The weekend festival brings in so many people that for three days, Manchester actually becomes the state's sixth largest city.

Manchester Recreation Complex. The Manchester Recreation Complex is equipped with two indoor pools, one outdoor play pool, basketball courts, an indoor track, racketball courts, weight machines, cardiovascular exercise apparati and dance/fitness rooms. This complex draws people from not only Coffee County, but the surrounding counties and stands as one of the best facilities in southern middle Tennessee. The recreational facilities have also been improved to build a greenway which is almost fully completed and stretches along the Duck River, through playground areas, and will eventually run all of the way out to Old Stone Fort State Park.

Source: Manchester Chamber of Commerce.

Old Stone Fort State Archaeological Park. The Old Stone Fort is a 2000 year-old American Indian ceremonial site that consists of mounds and walls that combine with cliffs and rivers to form an enclosure measuring 1-1/4 miles around. It has been identified as, perhaps, the most spectacularly sited sacred area of its period in the United States and the largest and most complex hilltop enclosure in the south. Located in Coffee County just outside of Manchester, the 876-acre park offers a variety of activities. The park offers educational and entertaining

876-acre park offers a variety of activities. The park offers educational and entertaining programs, which increase understanding of the Old Stone Fort, archaeology, and Native American cultures**.** The park has a 9-hole golf course, a museum, many campsites, hiking trails and fishing along the Duck River.

Source: Tennessee State Parks.

RECENT DEVELOPMENTS

Aerospace Testing Alliance (the "ATA"). In early 2013 due to the federal government sequestration, ATA was forced to eliminate 128 jobs. But by late 2013 about 100 of those workers were rehired back. Due to a $13.5 million reduction in federal funding, the ATA on the Arnold Air Force Base laid off 64 employees in 2010. ATA has been the operating contractor at Arnold Engineering Development Center since 2003. The company employs over 2,000 people.

Great Lakes Cheese Company. The Manchester Industrial Park is the home of the largest one-time investment ever for the County of a $100 million: a 330,000-square-foot cheese packaging plant for the Great Lakes Cheese Company. Construction was completed at the end of 2014. The plant employs about 300 workers as of 2016. This is the fourth biggest plant of the Company's nine plants. The Company makes about $2 billion a year and employs over 2,300 employees company-wide.

M-Tek Inc. The Manchester auto supplier, M-Tek, won a $147 million contract to build interior door panels for a new midsize sedan that Volkswagen plans to assemble in Chattanooga. Volkswagen's $1 billion facility opened in 2011. Despite the ailing auto industry, the Chattanooga plant is a key part of the carmaker's long-term plan to nearly quadruple its U.S. sales to about 800,000 annually by 2018.

Newell Rubbermaid. In 2010 Newell Rubbermaid completed a 60-acre site in the Coffee County Interstate Industrial Park in Manchester. About 60 people were hired initially with more added over a three-year period. The new ink facility represents a $12.5 million capital investment for building, land improvements and equipment. Design and testing of inks, ink manufacturing and storage of finished goods will be handled at the facility. This plant will supply the company's nearby writing instrument manufacturing facilities in Tennessee as well as its operations around the world. Newell Rubbermaid is the world's largest manufacturer of ink for writing instruments and currently employees about 1,700 people in Tennessee.

Tullahoma City Schools. Tullahoma built a new Elementary School that was completed in 2010. They also renovated another school and an auditorium. All three projects cost $16.6 million.

Van-Rob. The Canadian automobile company, Van-Rob, has had a facility in Manchester since 1997. In 2013 a $16.8 million expansion to its existing facility began and should result in 104 extra jobs. Construction of the two phases is expected to be complete in 2015.

VIAM Manufacturing Inc. The Japanese company with its North American headquarters located in Manchester has invested in to expansions in the last few years. Announced in mid-2013, a $9 million expansion will add 75 jobs. In 2010 VIAM finished construction on a new $4 million, expansion for the production of a polyester-based carpet fiber. This brought an additional 34 jobs upon completion. The Japanese company uses recycled PET clear bottles to produce the fiber for automotive uses.

Source: The Tennessean, The Tullahoma News, The Manchester Times, the Sunday News, the Herald-Chronicle, Health Management Associates, Inc, TSINews and Harton Regional Medical Center.

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COFFEE COUNTY, TENNESSEE
Summary of Long Term Indebtedness

Purpose		Due Date	Interest Rate	Outstanding As of June 30, 2016
$7,600,000 Local Government Public Improvement Bonds, Series Z-6-A		June 2026	Fixed	$ 5,745,000
BABs)		June 2044	Fixed	17,125,000
$500,000 Rural School Loan, Series 2011 (EESI)		June 2030	Zero	308,318
$9,100,000 Rural School Bonds, Series 2013		June 2037	Fixed	9,100,000
$300,000 Rural School Notes, Series 2013		July 2018	Fixed	160,000
$13,650,000 Rural School Bonds, Series 2014		June 2037	Fixed	13,040,000
$2,675,000 Rural School Bonds, Series 2015C		June 2031	Fixed	2,675,000
$3,060,000 Qualified School Construction Bonds, Series 2010		Sept 2027	Fixed	3,027,000
$2,040,000 Rural High School Bonds, Series 2015B		June 2031	Fixed	2,040,000
$1,500,000 General Obligation Refunding Bonds, Series 2009		June 2017	Fixed	300,000
$9,000,000 General Obligation Bonds, Series 2013A (RDA)	(2)	Aug. 2052	Fixed	8,766,924
$9,000,000 General Obligation Bonds, Series 2013B (RDA)	(2)	Aug. 2052	Fixed	8,766,924
$4,000,000 General Obligation Bonds, Series 2013C (RDA)	(2)	Aug. 2052	Fixed	3,896,411
$450,000 General Obligation Notes, Series 2013		July 2018	Fixed	225,000
$2,565,000 General Obligation Refunding Bonds, Series 2015A		June 2021	Fixed	2,545,000
$575,000 General Obligation Notes, Series 2016		Apr 2020	Fixed	575,000
$224,000 General Obligation Bonds, Series 2006A (RUS)		Dec. 2043	Fixed	195,150
$100,000 General Obligation Bonds, Series 2006B (RUS)		Dec. 2044	Fixed	88,010
EXISTING LONG TERM INDEBTEDNESS				$ 78,578,737
General Obligation Refunding Bonds, Series 2016		June 2040	Fixed	$ 8,915,000
Less: General Obligation Bond, Series 2013A (USDA Loan)		Aug. 2052	Fixed	(8,734,095)
PROPOSED LONG TERM INDEBTEDNESS				$ 78,759,641

Notes:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) The County issued a total $22,000,000 General Obligation Bonds on August 28, 2014 to the United States of America, acting through Rural Development. This bond will amortize monthly over approximately 38 years at an interest rate of 3.125% and paid off the General Obligation Capital Outlay Notes, Series 2011 and General Obligation Bond Anticipation Notes, Series 2012.

COFFEE COUNTY, TENNESSEE
INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

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

INDEBTEDNESS	Fiscal Year Ending June 30				Unaudited	After Issuance
	2012	2013	2014	2015	2016	2016
TAX SUPPORTED						
General Obligation Bonds and Notes	$8,331,700	$27,502,112	$26,657,328	$25,863,009	$25,358,419	$25,539,323
Rural High School Bonds and Notes	5,476,451	4,956,192	4,420,932	2,302,960	5,067,000	5,067,000
Rural School Bonds and Notes	26,915,000	26,310,000	48,095,000	46,303,322	48,153,318	48,153,318
TOTAL TAX SUPPORTED	$40,723,151	$58,768,304	$79,173,261	$74,469,291	$78,578,737	$78,759,641
TOTAL DEBT	$40,723,151	$58,768,304	$79,173,261	$74,469,291	$78,578,737	$78,759,641
Less: Revenue Supported Debt	$0	$0	$0	$0	$0	$0
Less: Debt Service Funds - General	(941,204)	(2,035,652)	(2,981,575)	(3,184,603)	(3,184,603)	(3,184,603)
Less: Debt Service Funds - Education	0	0	0	0	0	0
Less: Debt Service Funds - Special	0	0	0	0	0	0
Less: Debt Service Funds - Rural School	(5,766,415)	(6,642,208)	(6,798,415)	(4,700,269)	(4,700,269)	(4,700,269)
Less: Debt Service Funds - Other Rural	0	0	0	0	0	0
Total Debt Service Funds	(6,707,619)	(8,677,860)	(9,779,990)	(7,884,872)	(7,884,872)	(7,884,872)
NET DIRECT DEBT	$34,015,532	$50,090,444	$69,393,271	$66,584,419	$70,693,865	$70,874,769

PROPERTY TAX BASE	Fiscal Year Ending June 30				Unaudited	After Issuance
County Wide:	2012	2013	2014	2015	2016	2016
Estimated Actual Value	$3,350,599,801	$3,407,741,563	$3,484,195,197	$3,498,034,266	$3,545,755,357	$3,545,755,357
Appraised Value	3,350,599,801	3,379,798,082	$3,455,624,796	3,498,034,266	3,545,755,357	3,545,755,357
Assessed Value	973,969,979	983,389,672	$1,005,735,843	1,019,524,902	1,033,794,257	1,033,794,257
Rural High School - (1)						
Estimated Actual Value	$2,153,737,759	$2,181,592,552	$2,243,285,830	$2,272,456,933	$2,306,696,439	$2,306,696,439
Appraised Value	2,153,737,759	2,163,703,493	$2,224,890,886	2,272,456,933	2,306,696,439	2,306,696,439
Assessed Value	610,242,341	613,338,783	$631,229,214	646,029,868	656,478,747	656,478,747
Rural School - (2)						
Estimated Actual Value	$1,527,480,589	$1,549,012,472	$1,605,638,222	$1,635,040,859	$1,657,952,315	$1,657,952,315
Appraised Value	1,527,480,589	1,536,310,570	$1,592,471,989	1,635,040,859	1,657,952,315	1,657,952,315
Assessed Value	411,346,837	414,082,534	$430,613,823	444,007,774	450,809,454	450,809,454

(1) Includes only property located outside the corporate limits of the City of Tullahoma.

(2) Includes only property located outside the corporate limits of the Cities of Tullahoma and Manchester.

DEBT RATIOS - County Wide	Fiscal Year Ending June 30				Unaudited	After Issuance
	2012	2013	2014	2015	2016	2016
TOTAL DEBT to Estimated Actual Value	1.22%	1.72%	2.27%	2.13%	2.22%	2.22%
TOTAL DEBT to Appraised Value	1.22%	1.74%	2.29%	2.13%	2.22%	2.22%
TOTAL DEBT to Assessed Value	4.18%	5.98%	7.87%	7.30%	7.60%	7.62%
NET DIRECT DEBT to Estimated Actual Value	1.02%	1.47%	1.99%	1.90%	1.99%	2.00%
NET DIRECT DEBT to Appraised Value	1.02%	1.48%	2.01%	1.90%	1.99%	2.00%
NET DIRECT DEBT to Assessed Value	3.49%	5.09%	6.90%	6.53%	6.84%	6.86%
PER CAPITA RATIOS						
POPULATION (1)	53,222	53,357	53,623	54,277	54,277	54,277
PER CAPITA PERSONAL INCOME (2)	$35,611	$35,871	$37,295	$37,295	$37,295	$37,295
Estimated Actual Value to POPULATION	$62,955	$63,867	$64,976	$64,448	$65,327	$65,327
Assessed Value to POPULATION	$18,300	$18,430	$18,756	$18,784	$19,047	$19,047
Total Debt to POPULATION	$765	$1,101	$1,476	$1,372	$1,448	$1,451
Net Direct Debt to POPULATION	$639	$939	$1,294	$1,227	$1,302	$1,306
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.79%	2.62%	3.47%	3.29%	3.49%	3.50%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.79%	2.62%	3.47%	3.29%	3.49%	3.50%

(1) Per Capita computations are based upon POPULATION data of the County according to the US Census.

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

DEBT RATIOS - Rural High School	Fiscal Year Ending June 30				Unaudited	After Issuance
	2012	2013	2014	2015	2016	2016
TOTAL DEBT to Estimated Actual Value	0.25%	0.23%	0.20%	0.10%	0.22%	0.22%
TOTAL DEBT to Appraised Value	0.25%	0.23%	0.20%	0.10%	0.22%	0.22%
TOTAL DEBT to Assessed Value	0.90%	0.81%	0.70%	0.36%	0.77%	0.77%
NET DIRECT DEBT to Estimated Actual Value	0.25%	0.23%	0.20%	0.10%	0.22%	0.22%
NET DIRECT DEBT to Appraised Value	0.25%	0.23%	0.20%	0.10%	0.22%	0.22%
NET DIRECT DEBT to Assessed Value	0.90%	0.81%	0.70%	0.36%	0.77%	0.77%
PER CAPITA RATIOS						
POPULATION (1)	34,483	34,520	34,786	35,149	35,149	35,149
PER CAPITA PERSONAL INCOME (2)	$35,611	$35,871	$37,295	$37,295	$37,295	$37,295
Estimated Actual Value to POPULATION	$62,458	$63,198	$64,488	$64,652	$65,626	$65,626
Assessed Value to POPULATION	$17,697	$17,768	$18,146	$18,380	$18,677	$18,677
Total Debt to POPULATION	$159	$144	$127	$66	$144	$144
Net Direct Debt to POPULATION	$159	$144	$127	$66	$144	$144
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.45%	0.40%	0.34%	0.18%	0.39%	0.39%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.45%	0.40%	0.34%	0.18%	0.39%	0.39%

(1) Per Capita computations are based upon POPULATION data located outside the corporate limits of the City of Tullahoma according to the US Census.
(2) PER CAPITA PERSONAL INCOME is based upon the most current data of the County available from the U. S. Department of Commerce.

DEBT RATIOS - Rural School	Fiscal Year Ending June 30				Unaudited	After Issuance
	2012	2013	2014	2015	2016	2016
TOTAL DEBT to Estimated Actual Value	1.76%	1.70%	3.00%	2.83%	2.90%	2.90%
TOTAL DEBT to Appraised Value	1.76%	1.71%	3.02%	2.83%	2.90%	2.90%
TOTAL DEBT to Assessed Value	6.54%	6.35%	11.17%	10.43%	10.68%	10.68%
NET DIRECT DEBT to Estimated Actual Value	1.76%	1.70%	3.00%	2.83%	2.90%	2.90%
NET DIRECT DEBT to Appraised Value	1.76%	1.71%	3.02%	2.83%	2.90%	2.90%
NET DIRECT DEBT to Assessed Value	6.54%	6.35%	11.17%	10.43%	10.68%	10.68%
PER CAPITA RATIOS						
POPULATION (1)	24,259	24,259	24,525	24,632	24,632	24,632
PER CAPITA PERSONAL INCOME (2)	$35,611	$35,871	$37,295	$37,295	$37,295	$37,295
Estimated Actual Value to POPULATION	$62,966	$63,853	$65,469	$66,379	$67,309	$67,309
Assessed Value to POPULATION	$16,956	$17,069	$17,558	$18,026	$18,302	$18,302
Total Debt to POPULATION	$1,109	$1,085	$1,961	$1,880	$1,955	$1,955
Net Direct Debt to POPULATION	$1,109	$1,085	$1,961	$1,880	$1,955	$1,955
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.12%	3.02%	5.26%	5.04%	5.24%	5.24%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.12%	3.02%	5.26%	5.04%	5.24%	5.24%

(1) Per Capita computations are based upon POPULATION data located outside the corporate limits of the Cities of Tullahoma and Manchester according to the US Census.

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

COFFEE COUNTY, TENNESSEE

Debt Service Requirements - General Debt Service Fund

F.Y. Ended	Existing General Obligation Debt As of June 30, 2016 [1]			Less: Bonds Being Refunded			General Obligation Refunding Bonds, Series 2016			% 2016 Principal Repaid	Total Bonded Debt Service Requirements [1, 2]			% All Principal Repaid
6/30	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest[3]	TOTAL		Principal	Interest	TOTAL	
2017	$ 1,340,210	$ 752,266	$ 2,092,476	$ (100,038)	$ (180,923)	$ (280,961)	$ 260,000	$ 106,299	$ 366,299	2.92%	$ 1,500,172	$ 677,642	$ 2,177,814	5.87%
2018	1,060,739	719,033	1,779,772	(137,079)	(267,862)	(404,941)	330,000	177,973	507,973		1,253,660	629,144	1,882,803	
2019	1,056,603	693,596	1,750,199	(141,424)	(263,516)	(404,941)	335,000	175,138	510,138		1,250,179	605,217	1,855,396	
2020	1,032,815	668,207	1,701,022	(145,908)	(259,033)	(404,941)	340,000	171,988	511,988		1,226,907	581,162	1,808,069	
2021	914,385	643,255	1,557,640	(150,533)	(254,408)	(404,941)	345,000	168,468	513,468	18.06%	1,108,852	557,315	1,666,167	24.82%
2022	386,325	620,518	1,006,843	(155,305)	(249,635)	(404,941)	345,000	164,568	509,568		576,020	535,450	1,111,470	
2023	398,646	608,200	1,006,847	(160,229)	(244,712)	(404,941)	350,000	160,278	510,278		588,418	523,766	1,112,183	
2024	411,361	595,489	1,006,850	(165,308)	(239,633)	(404,941)	355,000	155,658	510,658		601,053	511,514	1,112,567	
2025	424,483	582,371	1,006,854	(170,549)	(234,392)	(404,941)	360,000	150,633	510,633		613,934	498,611	1,112,545	
2026	438,024	568,833	1,006,857	(175,955)	(228,985)	(404,941)	365,000	145,193	510,193	37.97%	627,069	485,041	1,112,109	36.60%
2027	451,998	554,864	1,006,861	(181,533)	(223,407)	(404,941)	375,000	139,328	514,328		645,464	470,784	1,116,248	
2028	466,419	540,447	1,006,866	(187,288)	(217,652)	(404,941)	380,000	132,938	512,938		659,130	455,732	1,114,862	
2029	481,300	525,570	1,006,870	(193,226)	(211,715)	(404,941)	385,000	126,098	511,098		673,075	439,952	1,113,027	
2030	496,658	510,217	1,006,875	(199,351)	(205,590)	(404,941)	395,000	118,798	513,798		692,307	423,425	1,115,731	
2031	512,507	494,373	1,006,879	(205,671)	(199,270)	(404,941)	405,000	110,923	515,923	59.73%	711,836	406,025	1,117,861	49.84%
2032	528,862	478,022	1,006,884	(212,191)	(192,750)	(404,941)	410,000	102,563	512,563		726,671	387,835	1,114,506	
2033	545,741	461,148	1,006,889	(218,918)	(186,023)	(404,941)	420,000	93,593	513,593		746,824	368,718	1,115,541	
2034	563,160	443,735	1,006,895	(225,858)	(179,083)	(404,941)	430,000	83,993	513,993		767,302	348,644	1,115,947	
2035	581,136	425,764	1,006,901	(233,018)	(171,923)	(404,941)	440,000	73,743	513,743		788,118	327,584	1,115,702	
2036	599,687	407,219	1,006,906	(240,405)	(164,536)	(404,941)	455,000	62,823	517,823	83.90%	814,283	305,506	1,119,788	64.89%
2037	618,832	388,080	1,006,913	(248,026)	(156,915)	(404,941)	465,000	51,428	516,428		835,806	282,593	1,118,399	
2038	638,590	368,329	1,006,919	(255,889)	(149,052)	(404,941)	480,000	39,548	519,548		862,701	258,825	1,121,526	
2039	658,980	347,946	1,006,926	(264,001)	(140,940)	(404,941)	490,000	27,173	517,173		884,979	234,179	1,119,158	
2040	680,022	326,911	1,006,933	(272,370)	(132,571)	(404,941)	-	13,920	13,920		407,652	208,260	615,912	
2041	701,738	305,202	1,006,940	(281,005)	(123,936)	(404,941)	-	-	-	100.00%	420,733	181,266	602,000	78.24%
2042	724,149	282,799	1,006,948	(289,913)	(115,028)	(404,941)	-	-	-		434,236	167,771	602,007	
2043	747,278	259,678	1,006,956	(299,104)	(105,837)	(404,941)	-	-	-		448,175	153,841	602,015	
2044	768,445	235,801	1,004,247	(308,586)	(96,355)	(404,941)	-	-	-		459,860	139,446	599,306	
2045	780,985	211,631	992,617	(318,368)	(86,572)	(404,941)	-	-	-		462,617	125,059	587,676	
2046	802,905	186,950	989,855	(328,461)	(76,480)	(404,941)	-	-	-	100.00%	474,444	110,471	584,914	87.17%
2047	828,358	161,497	989,855	(338,874)	(66,067)	(404,941)	-	-	-		489,484	95,430	584,914	
2048	854,618	135,237	989,855	(349,616)	(55,324)	(404,941)	-	-	-		505,002	79,913	584,914	
2049	881,711	108,144	989,855	(360,700)	(44,241)	(404,941)	-	-	-		521,011	63,903	584,914	
2050	909,662	80,193	989,855	(372,135)	(32,806)	(404,941)	-	-	-		537,528	47,387	584,914	
2051	938,500	51,355	989,855	(383,932)	(21,009)	(404,941)	-	-	-	100.00%	554,568	30,346	584,914	97.38%
2052	968,252	21,603	989,855	(396,103)	(8,838)	(404,941)	-	-	-		572,149	12,766	584,914	
2053	164,334	642	164,976	(67,227)	(263)	(67,490)	-	-	-	100.00%	97,106	379	97,486	100.00%
	$ 25,358,419	$ 14,765,126	$ 40,123,545	$ (8,734,095)	$ (5,787,280)	$ (14,521,375)	$ 8,915,000	$ 2,753,054	$ 11,668,054		$ 25,539,323	$ 11,730,900	$ 37,270,223	

NOTES:

(1) The above figures do not include capitalized leases or compensated absences or short-term notes outstanding, if any. For more information, see the CAFR. Excludes the General Obligation Capital Outlay Notes, Series 2011 and General Obligation Bond Anticipation Notes, Series 2012 that were refunded with the General Obligation Bonds, Series 2014. Above figures also exclude Rural School Bonds, which are secured by and payable from *ad valorem* taxes of the County levied outside of the territorial limits of the Cities of Manchester and Tullahoma.

(2) The County issued a total of $22,000,000 General Obligation Bond on August 28, 2014 to the United States of America, acting through Rural Development. This bond will amortize monthly over approximately 38 years at an interest rate of 3.125% and paid off the General Obligation Capital Outlay Notes, Series 2011 and General Obligation Bond Anticipation Notes, Series 2012.

(3) Estimated Interest Rates.

COFFEE COUNTY, TENNESSEE

Debt Service Requirements - Rural Debt Service Funds

F.Y. Ended 6/30	Existing Rural High School Debt As of June 30, 2016 Principal	Interest	QSCB Subsidy	State Admin Fees	Sinking Fund Deposits	QSCB Sinking Fund	TOTAL	% All Principal Repaid
2017	$ 115,000	$ 198,736	$ (146,749)	$ 2,422	$ 188,880	$ -	$ 358,289	7.32%
2018	120,000	196,436	(146,749)	2,422	188,880	-	360,989	
2019	120,000	194,036	(146,749)	2,422	188,880	-	358,589	
2020	125,000	191,636	(146,749)	2,422	188,880	-	361,189	
2021	125,000	189,136	(146,749)	2,422	188,880	-	358,689	37.30%
2022	130,000	186,636	(146,749)	2,422	188,880	-	361,189	
2023	130,000	183,711	(146,749)	2,422	188,880	-	358,264	
2024	135,000	180,786	(146,749)	2,422	188,880	-	360,339	
2025	135,000	177,749	(146,749)	2,422	188,880	-	357,302	
2026	140,000	174,374	(146,749)	2,422	188,880	-	358,927	76.16%
2027	145,000	170,524	(146,749)	2,422	207,473	-	378,670	
2028	3,177,000	34,240	(73,374)	605	17,806	(3,027,000)	129,277	
2029	155,000	15,288	-	-	-	-	170,288	
2030	155,000	10,638	-	-	-	-	165,638	
2031	160,000	5,600	-	-	-	-	165,600	100.00%
	$ 5,067,000	$ 2,109,528	$ (1,687,613)	$ 27,243	$ 2,114,080	$ (3,027,000)	$ 4,603,238	

NOTES:

(1) The above figures do not include capitalized leases or compensated absences or short-term notes outstanding, if any. For more information, see the CAFR. Debt is payable from *ad valorem* taxes of the County levied outside of the territorial limits of the City of Tullahoma.

COFFEE COUNTY, TENNESSEE

Debt Service Requirements - Rural Debt Service Funds

F.Y. Ended 6/30	Existing Rural School Debt As of June 30, 2016					% All Principal Repaid
	Principal	Interest[2]	Treasury Rebate	Sequester	TOTAL	
2017	$ 1,010,004	$ 2,438,477	$ (428,505)	$ 29,567	$ 3,049,542	2.10%
2018	1,050,004	2,403,181	(428,505)	29,567	3,054,247	
2019	1,030,004	2,368,361	(428,505)	29,567	2,999,426	
2020	1,045,004	2,332,405	(428,505)	29,567	2,978,471	
2021	1,085,004	2,294,863	(428,505)	29,567	2,980,928	10.84%
2022	1,120,004	2,253,913	(428,505)	29,567	2,974,978	
2023	1,218,294	2,208,838	(428,505)	29,567	3,028,193	
2024	1,365,000	2,163,013	(428,505)	29,567	3,129,074	
2025	1,425,000	2,109,888	(428,505)	29,567	3,135,949	
2026	1,480,000	2,052,694	(428,505)	29,567	3,133,756	24.56%
2027	1,550,000	1,989,856	(428,505)	29,567	3,140,918	
2028	1,600,000	1,935,231	(428,505)	29,567	3,136,293	
2029	1,655,000	1,878,181	(428,505)	29,567	3,134,243	
2030	1,720,000	1,816,481	(428,505)	29,567	3,137,543	
2031	1,790,000	1,751,719	(428,505)	29,567	3,142,781	41.83%
2032	1,635,000	1,681,194	(428,505)	29,567	2,917,256	
2033	1,700,000	1,613,706	(428,505)	29,567	2,914,768	
2034	1,775,000	1,543,081	(428,505)	29,567	2,919,143	
2035	1,850,000	1,469,175	(428,505)	29,567	2,920,237	
2036	1,925,000	1,390,925	(428,505)	29,567	2,916,987	60.28%
2037	2,000,000	1,309,300	(428,505)	29,567	2,910,362	
2038	2,125,000	1,224,300	(428,505)	29,567	2,950,362	
2039	2,225,000	1,075,550	(376,443)	25,975	2,950,082	
2040	2,325,000	919,800	(321,930)	22,213	2,945,083	
2041	2,425,000	752,400	(263,340)	18,170	2,932,230	83.33%
2042	2,550,000	577,800	(202,230)	13,954	2,939,524	
2043	2,675,000	394,200	(137,970)	9,520	2,940,750	
2044	2,800,000	201,600	(70,560)	4,869	2,935,909	100.00%
	$ 48,153,318	$ 46,150,129	$ (10,799,583)	$ 745,171	$ 84,249,036	

NOTES:

(1) The above figures do not include capitalized leases or compensated absences or short-term notes outstanding, if any. For more information, see the Notes to the Financial Statements in the CAFR. Debt is secured by and payable from *ad valorem* taxes of the County levied outside of the territorial limits of the Cities of Manchester and Tullahoma.

(2) The original federal subsidy of 35.0% on the Loan Agreement, Series Z-7-A (Build America Bonds) ("BAB's") has been reduced by 6.9% for the federal fiscal year ending September 30, 2017 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2017, the sequestration rate will be subject to change.

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following tables depict audited fund balances, net assets and retained earnings for the most recent five fiscal years ending June 30:

	For the Fiscal Year Ended June 30				
Fund Type	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental Funds:					
General	$ 1,491,746	$ 3,075,591	$ 2,151,357	$ 1,375,337	$2,580,848
General Debt Service	386,086	941,204	2,035,652	2,981,573	3,184,603
Rural Debt Service	621,323	5,766,415	6,642,208	6,798,415	4,700,269
General Capital Projects	528,897	313,927	15,851,327	3,833,153	1,126,809
Other Governmental	10,779,228	2,943,888	3,093,235	6,501,107	4,199,651
Total	**$13,207,280**	**$13,041,025**	**$29,773,779**	**$21,489,585**	**$15,792,180**
Proprietary Net Assets:					
Wayside Acres Sewer	$501,973	$462,570	$280,403	$249,618	$254,133

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

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

	2011	2012	2013	2014	2015
Revenues:					
Local Taxes	$ 9,410,476	$ 9,832,933	$ 8,784,758	$ 8,898,716	$ 11,862,215
Licenses and Permits	184,628	192,868	201,096	218,043	250,203
Fines, forfeitures & penalties	395,457	500,699	537,983	550,365	572,197
Charges for current services	1,705,923	2,574,103	508,955	601,487	616,855
Other local revenue	325,839	315,273	325,273	313,374	299,888
Fees Received from County Officials	1,209,881	3,217,104	2,891,070	2,763,313	2,850,473
State of Tennessee	2,092,588	2,111,455	2,160,552	1,742,584	2,025,602
Federal Government	295,151	267,839	457,017	600,917	187,365
Other Governments & Citizens Groups	55,176	47,228	116,679	123,306	131,387
Total Revenues	$ 15,675,119	$ 19,059,502	$ 15,983,383	$ 15,812,105	$ 18,796,185
Expenditures:					
General government	$ 1,738,492	$ 1,666,897	$ 1,648,778	$ 1,629,332	$ 1,738,197
Finance	823,569	1,326,760	1,323,825	1,418,435	1,452,872
Administration of Justice	1,315,092	2,199,465	2,301,018	2,290,624	2,332,242
Public Safety	6,686,366	6,651,057	7,408,768	6,962,221	8,135,251
Public Health & Welfare	3,202,864	2,862,094	994,000	752,835	797,826
Social, Cultural & Recreational Services	1,076,249	1,092,044	1,084,818	1,111,534	1,101,696
Agricultural & Natural Resources	276,742	292,617	306,378	314,053	312,558
Other Operations	1,200,384	972,580	1,340,945	1,610,884	1,225,165
Highways	-	-	-	-	-
Debt Service	-	2,100,000	367,500	363,125	358,750
Capital Projects	-	-	-	-	-
Total Expenditures	$ 16,319,758	$ 19,163,514	$ 16,776,030	$ 16,453,043	$ 17,454,557
Excess (Deficiency) of Revenues Over Expenditures	$ (644,639)	$ (104,012)	$ (792,647)	$ (640,938)	$ 1,341,628
Other Sources & Uses:					
Note Proceeds	$ -	$ -	$ -	$ -	$ -
Other Loans Issued	-	1,750,000	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
Insurance Recovery	-	11,238	15,165	-	-
Operating Transfers In	397,869	-	-	-	-
Operating Transfers Out	-	(73,381)	(146,752)	(135,082)	(136,117)
Total Sources & Uses	$ 397,869	$ 1,687,857	$ (131,587)	$ (135,082)	$ (136,117)
Net Change in Fund Balances	$ (246,770)	$ 1,583,845	$ (924,234)	$ (776,020)	$ 1,205,511
Fund Balance July 1	1,738,516	1,491,746	3,075,591	2,151,357	1,375,337
Residual Equity Transfers	-	-	-	-	-
Fund Balance June 30	**$ 1,491,746**	**$ 3,075,591**	**$ 2,151,357**	**$ 1,375,337**	**$ 2,580,848**

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

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.

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

(a) Public Utility Property, to be assessed at 55% of its value;

(b) Industrial and Commercial Property, to be assessed at 30% of its value; and

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole *(i.e.,* the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State

Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

Assessed Valuations. According to the County and Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2015[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Actual Value
Public Utilities	$ 38,950,498	55%	$ 89,249,272
Commercial and Industrial	299,695,360	40%	749,238,400
Personal Tangible Property	109,936,769	30%	366,455,485
Residential and Farm	585,203,050	25%	2,340,812,200
TOTAL	**$1,033,794,257**		**$3,545,755,357**

Source: The 2015 Tax Aggregate Report for Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2016 (tax year 2015) is $1,033,794,257 compared to $1,019,524,902 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is $3,545,755,357 compared to $3,498,034,266 for tax year 2014.

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[1] The tax year coincides with the calendar year; therefore tax year 2015 is actually fiscal year 2015-2016.

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[1]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**as of June 30, 2015 Amount**	**Pct**
2011	$973,969,979	$2.9728	$27,019,392	$25,789,225	95.6%	N/A	
2012	983,389,672	2.9728	27,227,225	25,885,859	95.1%	N/A	
2013	1,005,735,843	2.9728	27,984,682	26,536,218	94.8%	N/A	
2014	1,019,524,902	3.2629	30,035,200	29,736,649	99.0%	$298,551	1.0%
2015	1,033,794,257	3.2629	30,121,773	**IN PROGRESS**			

[1] The tax year coincides with the calendar year; therefore, tax year 2015 is actually fiscal year 2015-2016.

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

	<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>Taxes Levied</u>
1.	M-TEK Inc.	Interior Auto Parts	$ 21,606,943	$ 779,687
2.	Duck River Electric	Utility	16,004,939	511,501
3.	Harton Hospital	Hospital	13,219,402	379,463
4.	Goodrich Aerospace	Industrial	12,069,413	346,453
5.	Ravago Mfg (Entec olymers)	Industrial	9,212,610	326,394
6.	Wal-Mart	Retail	7,957,827	231,495
7.	Ascend F.C Union	Banking	7,960,315	213,850
8.	Batesville	Steel Caskets	5,542,071	160,595
9.	VR Volunteer	Industrial	4,521,167	160,180
10.	Bell South	Telecommunications	4,739,732	140,666
	TOTAL		**$102,834,419**	**$3,250,284**

Source: The County.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2015 (tax year 2014), the ten largest taxpayers in the County are as follows:

	Taxpayer	Business Type	Assessment	Taxes Levied
1.	M-TEK Inc.	Interior Auto Parts	$ 22,054,632	$ 780,723
2.	Duck River Electric	Utility	15,562,820	498,111
3.	Harton Hospital	Hospital	13,079,191	375,438
4.	Ravago Mfg (Entec olymers)	Industrial	8,636,473	305,982
5.	Goodrich Aerospace	Industrial	10,240,629	293,957
6.	Wal-Mart	Retail	7,515,500	218,668
7.	Ascend F.C Union	Banking	7,529,525	216,852
8.	Batesville	Steel Caskets	6,656,934	196,086
9.	Bell South	Telecommunications	4,896,284	145,675
10.	Forrest Gallery	Shopping Center	4,489,760	128,878
	TOTAL		**$100,661,748**	**$3,160,370**

Source: The County.

PENSION PLANS

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

On November 13, 2012 the County adopted a 401K plan through the State of Tennessee. The new plan is the Deferred Compensation Plan II Resolution and Participating Employee Agreement. This new plan is a deferred contribution plan as opposed to a deferred pension plan.

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Please see the Comprehensive Annual Financial Report included herein for information on the Other Post-Employment Benefits from the Financial Statements.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

COFFEE COUNTY, TENNESSEE

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 the Coffee County for the fiscal year ended June 30, 2015 which is available upon request from the County.

Annual Financial Report

Coffee County, Tennessee

For the Year Ended June 30, 2015

Tennessee Comptroller of the Treasury

Division of Local Government Audit

ANNUAL FINANCIAL REPORT

COFFEE 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

STEVE REEDER, CPA, CGFM, CFE
Audit Manager

MELODIE HODGES, CFE
Auditor 4

MICHAEL FORD, CPA,CGFM
AMY HEWITT, CPA, CFE
JENI PALADENI, CISA
State Auditors

This financial report is available at <u>www.comptroller.tn.gov</u>

COFFEE COUNTY, TENNESSEE
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Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- The General Purpose School Fund required material audit adjustments for proper financial statement presentation.
- General ledger payroll liability accounts were not reconciled monthly.
- Duties were not segregated adequately.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

- Execution docket trial balances were not prepared for Circuit, General Sessions, and Juvenile Courts.
- The office software did not have adequate application controls.

OFFICE OF REGISTER OF DEEDS

- The office did not review all software audit logs.

Introductory Section

Coffee County Officials
June 30, 2015

Officials

Gary Cordell, County Mayor
Benton Bartlett, Road Superintendent
Dr. LaDonna McFall, Director of Schools
John Marchesoni, Trustee
Jimmy White, Assessor of Property
Teresa McFadden, County Clerk
Heather Hinds Duncan, Circuit, General Sessions, and Juvenile Courts Clerk
Charlotte Broyles, Clerk and Master
Donna Toney, Register of Deeds
Steve Graves, Sheriff
Marianna Edinger, Director of Accounts and Budgets

Board of County Commissioners

Gary Cordell, County Mayor, Chairman
Diane Argraves
B. Rush Bricken
Barbara Buckner
Bobby Bryan
Rosemary Crabtree
Michael Crockett
Margaret Cunningham
Missy Deford
Jackie Duncan
Kerry Farrar
Dennis Hunt
Steven Jones
Mark Kelly
Sam Mai
Kimberly Martin
Tim Morris
David Orrick
Major Shelton
Harold Speer
Timothy Stubblefield
Warren Walker

Road Commission

James Weaver, Chairman
Jeff Bush
Raymond Duke
Richard Harris
Marshall Qualls

Board of Education

Brett Henley, Chairman
Pat Barton
Shannon Duncan
Freda Jones
Sandra Klonaris
Gary Nester
Esther Sims

(Continued)

Budget and Finance Committee

B. Rush Bricken, Chairman
Bobby Bryan
Steven Jones
Mark Kelly
Tim Morris

Audit Committee

Gary Hunt, Chairman
Margaret Cunningham
Stan Teal

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

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Coffee 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 did not audit the financial statements of the Coffee County Emergency Communications District, which represent 3.33 percent, 4.96 percent, and 1.84 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units; the Public Building Authority of Coffee County, which represent 6.94 percent, 3.24 percent, and 1.75 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units; and the Industrial Board of Coffee County, which represent 4.65 percent, 6.84 percent, and 3.68 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Coffee County Emergency Communications District, the Public Building Authority of Coffee County, and the Industrial Board of Coffee County is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Coffee County, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund 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., Coffee 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 these matters.

Emphasis of Matter

We draw attention to Note I.D.10. to the financial statements, which describes a prior-period adjustment decreasing the beginning Governmental Activities net position by $108,725 on the Government-wide Statement of Activities. This adjustment was necessary due to an overstatement of revenue in the prior year caused by an error in posting. We also draw attention to Notes I.D.11. and VIII.J. to the financial statements, which describe restatements decreasing the beginning Governmental Activities net position by $230,061, the discretely presented Coffee County School Department's net position by $6,216,013, and the discretely presented Industrial

Board of Coffee County's net position by $4,381 on the Government-wide Statement of Activities. 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 these matters.

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 and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress – other postemployment benefits plan on pages 113-119 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 Coffee County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Coffee County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Coffee 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, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Coffee 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 11, 2016, on our consideration of Coffee 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 Coffee County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 11, 2016

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Coffee County School Department	Coffee County Emergency Communications District	Public Building Authority of Coffee County	Industrial Board of Coffee County
ASSETS							
Cash	$ 715,445	$ 0	$ 715,445	$ 6,095	$ 2,292,500	$ 108,924	$ 905,306
Equity in Pooled Cash and Investments	14,018,882	18,291	14,037,173	6,677,318	0	0	0
Inventories	2,789	0	2,789	0	0	10,972	0
Accounts Receivable	1,441,546	2,926	1,444,472	199,466	0	3,965,584	0
Allowance for Uncollectibles	(733,597)	0	(733,597)	0	0	0	0
Due from Other Governments	1,601,380	0	1,601,380	1,424,843	0	0	0
Due from Other Funds	0	14,883	14,883	0	0	0	
Due from Component Units	71,426	0	71,426	0	0	0	0
Property Taxes Receivable	15,410,851	0	15,410,851	9,293,767	0	0	0
Allowance for Uncollectible Property Taxes	(512,000)	0	(512,000)	(278,438)	0	0	0
Prepaid Items	0	0	0	0	7,414	5,700	0
Accrued Interest Receivable	0	0	0	0	2,845	56,179	1,257
Note Receivable	0	0	0	0	0	0	79,129
Net Pension Asset - Agent Plan	1,681,172	0	1,681,172	1,651,534	0	0	32,019
Net Pension Asset - Cost-sharing Plan	0	0	0	74,043	0	0	0
Other Restricted Assets	0	0	0	0	0	5,756	0
Capital Assets:							
Assets Not Depreciated:							
Land	4,081,549	30,120	4,111,669	1,438,853	0	25,000	0
Construction in Progress	22,052,296	0	22,052,296	13,053	25,765	0	0
Assets Net of Accumulated Depreciation:							
Buildings and Improvements	9,325,918	476,275	9,802,193	49,105,222	72,066	1,692,913	0
Infrastructure	7,357,072	0	7,357,072	0	0	0	0
Other Capital Assets	3,078,631	0	3,078,631	2,815,296	436,032	40,424	2,939,218
Total Assets	$ 79,593,360	$ 542,495	$ 80,135,855	$ 72,421,052	$ 2,836,622	$ 5,911,452	$ 3,956,929
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Charge on Refunding	$ 49,925	$ 0	$ 49,925	$ 0	$ 0	$ 0	$ 0
Pension Changes in Experience	0	0	0	179,758	0	0	0
Pension Contributions After Measurement Date	750,859	0	750,859	1,890,010	0	0	10,309
Total Deferred Outflows of Resources	$ 800,784	$ 0	$ 800,784	$ 2,069,768	$ 0	$ 0	$ 10,309

(Continued)

Exhibit A

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

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Coffee County School Department	Coffee County Emergency Communications District	Public Building Authority of Coffee County	Industrial Board of Coffee County
LIABILITIES							
Accounts Payable	$ 136,767	$ 0	$ 136,767	$ 9,516	$ 7,683	$ 40,613	$ 21,247
Accrued Interest Payable	317,877	0	317,877	0	0	56,179	0
Accrued Payroll	0	0	0	2,419,519	0	0	0
Payroll Deductions Payable	126,160	0	126,160	1,019,940	39	0	0
Contracts Payable	0	0	0	116,267	0	0	0
Retainage Payable	0	0	0	6,119	0	0	0
Claims and Judgments Payable	0	0	0	237,278	0	0	0
Due to Other Funds	14,883	0	14,883	0	0	0	0
Due to Primary Government	0	0	0	71,426	0	0	0
Due to State of Tennessee	3,898	0	3,898	14,952	0	0	0
Other Accrued Liabilities	0	0	0	0	0	43,842	0
Noncurrent Liabilities:							
Due Within One Year	2,682,108	5,089	2,687,197	77,900	0	520,000	14,746
Due in More Than One Year (net of unamortized premium on debt)	73,768,620	283,273	74,051,893	5,416,679	0	3,405,000	0
Total Liabilities	$ 77,050,313	$ 288,362	$ 77,338,675	$ 9,389,596	$ 7,722	$ 4,065,634	$ 35,993
DEFERRED INFLOWS OF RESOURCES							
Deferred Current Property Taxes	$ 14,451,592	$ 0	$ 14,451,592	$ 8,729,699	$ 0	$ 0	$ 0
Pension Changes in Experience	605,387	0	605,387	594,714	0	0	0
Pension Changes in Investment Earnings	1,198,401	0	1,198,401	7,277,947	0	0	34,358
Pension Other Deferrals	0	0	0	68,259	0	0	0
Total Deferred Inflow of Resources	$ 16,255,380	$ 0	$ 16,255,380	$ 16,670,619	$ 0	$ 0	$ 34,358
NET POSITION							
Net Investment in Capital Assets	$ 19,733,995	$ 218,033	$ 19,952,028	$ 53,372,424	$ 533,863	$ 1,758,337	$ 2,939,218
Restricted for:							
General Government	443,203	0	443,203	0	0	0	0
Finance	14,953	0	14,953	0	0	0	0
Administration of Justice	54,027	0	54,027	0	0	0	0
Public Safety	203,037	0	203,037	0	0	0	0
Public Health and Welfare	2,316,318	0	2,316,318	0	0	0	0
Highways/Public Works	864,385	0	864,385	0	0	0	0
Debt Service	7,958,107	0	7,958,107	0	0	0	0
Capital Projects	870,128	0	870,128	0	0	0	0
Education	0	0	0	3,152,659	0	0	0
Other Purposes	1,681,172	0	1,681,172	0	0	16,905	32,019
Unrestricted	(47,050,674)	36,100	(47,014,774)	(8,094,478)	2,295,037	70,576	925,650
Total Net Position	$ (12,911,549)	$ 254,133	$ (12,657,416)	$ 48,430,605	$ 2,828,900	$ 1,845,818	$ 3,896,887

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

Exhibit B

Coffee 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 Units			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Coffee County School Department	Coffee County Emergency Communications District	Public Building Authority of Coffee County	Industrial Board of Coffee County
Primary Government:											
Governmental Activities:											
General Government	$ 3,020,016	$ 690,987	$ 76,550	$ 0	$ (2,252,479)	$ 0	$ (2,252,479)	$ 0	$ 0	$ 0	$ 0
Finance	1,405,997	1,587,458	0	0	181,461	0	181,461	0	0	0	0
Administration of Justice	2,244,115	2,141,166	0	0	(102,949)	0	(102,949)	0	0	0	0
Public Safety	8,478,274	920,263	443,875	3,672	(7,110,464)	0	(7,110,464)	0	0	0	0
Public Health and Welfare	4,373,933	1,055,325	547,604	0	(2,771,004)	0	(2,771,004)	0	0	0	0
Social, Cultural, and Recreational Services	1,107,201	62,981	32,178	0	(1,012,042)	0	(1,012,042)	0	0	0	0
Agriculture and Natural Resources	304,682	0	1,000	0	(303,682)	0	(303,682)	0	0	0	0
Highways/Public Works	2,402,460	0	1,919,521	158,519	(324,420)	0	(324,420)	0	0	0	0
Education	3,254,719	0	0	0	(3,254,719)	0	(3,254,719)	0	0	0	0
Interest on Long-term Debt	3,432,184	0	0	0	(3,432,184)	0	(3,432,184)	0	0	0	0
Total Governmental Activities	$ 30,023,581	$ 6,458,180	$ 3,020,728	$ 162,191	$ (20,382,482)	$ 0	$ (20,382,482)	$ 0	$ 0	$ 0	$ 0
Business-type Activities:											
Wayside Acres Sewer Fund	$ 65,598	$ 35,113	$ 35,000	$ 0	$ 0	$ 4,515	$ 4,515	$ 0	$ 0	$ 0	$ 0
Total Business-type Activities	$ 65,598	$ 35,113	$ 35,000	$ 0	$ 0	$ 4,515	$ 4,515	$ 0	$ 0	$ 0	$ 0
Total Primary Government	$ 30,089,179	$ 6,493,293	$ 3,055,728	$ 162,191	$ (20,382,482)	$ 4,515	$ (20,377,967)	$ 0	$ 0	$ 0	$ 0
Component Units:											
School Department	$ 38,583,958	$ 913,136	$ 4,690,204	$ 3,000,000	$ 0	$ 0	$ 0	$ (29,980,618)	$ 0	$ 0	$ 0
Emergency Communications District	559,680	521,308	40,569	0	0	0	0	0	2,197	0	0
Public Building Authority	976,282	494,921	0	0	0	0	0	0	0	(481,361)	0
Industrial Development Board	281,586	0	239,172	1,452,070	0	0	0	0	0	0	1,409,656
Total Component Units	$ 40,401,506	$ 1,929,365	$ 4,969,945	$ 4,452,070	$ 0	$ 0	$ 0	$ (29,980,618)	$ 2,197	$ (481,361)	$ 1,409,656

(Continued)

Exhibit B

Coffee County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position						
					Primary Government			Component Units			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Coffee County School Department	Coffee County Emergency Communications District	Public Building Authority of Coffee County	Industrial Board of Coffee County
General Revenues:											
Taxes:											
Property Taxes Levied for General Purposes					$ 11,547,671	$ 0	$ 11,547,671	$ 8,807,533	$ 0	$ 0	$ 0
Property Taxes Levied for Debt Service					2,926,194	0	2,926,194	0	0	0	0
Local Option Sales Taxes					3,300,685	0	3,300,685	4,212,657	0	0	0
Litigation Taxes					632,279	0	632,279	0	0	0	0
Wholesale Beer Tax					261,666	0	261,666	0	0	0	0
Mineral Severance Tax					75,313	0	75,313	0	0	0	0
Business Tax					892,205	0	892,205	0	0	0	0
Other Local Taxes					2,476	0	2,476	6,626	0	0	0
Grants and Contributions Not Restricted for Specific Programs					1,562,297	0	1,562,297	21,130,674	279,843	131,679	0
Unrestricted Investment Earnings					72,422	0	72,422	452	13,348	173,616	9,873
Miscellaneous					13,552	0	13,552	38,944	0	11,930	4,120
Sale of Equipment					16,986	0	16,986	0	0	0	0
Pension Income					107,444	0	107,444	180,428	0	0	2,043
Amortized Premium					55,943	0	55,943	0	0	0	0
Donation of Capital Assets					34,057	0	34,057	0	0	0	0
Total General Revenues					$ 21,501,190	$ 0	$ 21,501,190	$ 34,377,314	$ 293,191	$ 317,225	$ 16,036
Change in Net Assets					$ 1,118,708	$ 4,515	$ 1,123,223	$ 4,396,696	$ 295,388	$ (164,136)	$ 1,425,692
Net Position, July 1, 2014					(13,691,471)	249,618	(13,441,853)	50,249,922	2,533,512	2,009,954	2,475,576
Prior-period Adjustment - See Note I.D.10.					(108,725)	0	(108,725)	0	0	0	0
Restatement - Pensions - See Note I.D.11.					(230,061)		(230,061)	(6,216,013)	0	0	0
Restatement - Pensions - See Note VIII.J.					0	0	0	0	0	0	(4,381)
Net Position, June 30, 2015					$ (12,911,549)	$ 254,133	$ (12,657,416)	$ 48,430,605	$ 2,828,900	$ 1,845,818	$ 3,896,887

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	General Debt Service	Rural Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
ASSETS						
Cash	$ 2,020	$ 0	$ 0	$ 0	$ 713,425	$ 715,445
Equity in Pooled Cash and Investments	2,138,862	3,187,287	4,259,422	1,033,486	3,399,825	14,018,882
Inventories	2,789	0	0	0	0	2,789
Accounts Receivable	119,072	0	0	0	1,322,474	1,441,546
Allowance for Uncollectibles	0	0	0	0	(733,597)	(733,597)
Due from Other Governments	398,762	7,912	655,507	120,640	418,559	1,601,380
Due from Other Funds	183,686	0	0	15,000	35,674	234,360
Property Taxes Receivable	10,586,826	1,592,952	1,202,706	345,397	1,682,970	15,410,851
Allowance for Uncollectible Property Taxes	(272,696)	(53,376)	(67,273)	0	(118,655)	(512,000)
Total Assets	$ 13,159,321	$ 4,734,775	$ 6,050,362	$ 1,514,523	$ 6,720,675	$ 32,179,656
LIABILITIES						
Accounts Payable	$ 83,879	$ 0	$ 0	$ 0	$ 52,888	$ 136,767
Payroll Deductions Payable	98,278	0	0	0	27,882	126,160
Due to Other Funds	35,674	15,000	0	14,883	183,686	249,243
Due to State of Tennessee	3,275	0	0	0	623	3,898
Total Liabilities	$ 221,106	$ 15,000	$ 0	$ 14,883	$ 265,079	$ 516,068
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 10,077,453	$ 1,479,347	$ 1,066,226	$ 345,397	$ 1,483,169	$ 14,451,592
Deferred Delinquent Property Taxes	219,373	55,825	64,147	0	75,380	414,725
Other Deferred/Unavailable Revenue	60,541	0	219,720	27,434	697,396	1,005,091
Total Deferred Inflows of Resources	$ 10,357,367	$ 1,535,172	$ 1,350,093	$ 372,831	$ 2,255,945	$ 15,871,408

(Continued)

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

	Major Funds				Nonmajor Funds	
	General	General Debt Service	Rural Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable:						
Inventory	$ 2,789	$ 0	$ 0	$ 0	$ 0	$ 2,789
Restricted:						
Restricted for General Government	28,604	0	0	0	0	28,604
Restricted for Finance	82,438	0	0	0	0	82,438
Restricted for Administration of Justice	144,674	0	0	0	0	144,674
Restricted for Public Safety	26,330	0	0	456,342	512,426	995,098
Restricted for Public Health and Welfare	6,356	0	0	0	1,919,129	1,925,485
Restricted for Other Operations	0	0	0	0	514,531	514,531
Restricted for Highways/Public Works	0	0	0	0	699,573	699,573
Restricted for Capital Outlay	0	0	0	0	386,352	386,352
Restricted for Debt Service	0	3,184,603	4,700,269	0	0	7,884,872
Committed:						
Committed for Public Safety	8,177	0	0	0	0	8,177
Committed for Public Health and Welfare	46,744	0	0	0	0	46,744
Committed for Social, Cultural, and Recreational Services	422,453	0	0	0	0	422,453
Committed for Capital Outlay	0	0	0	670,467	0	670,467
Assigned:						
Assigned for General Government	44,896	0	0	0	0	44,896
Assigned for Finance	2,407	0	0	0	0	2,407
Assigned for Administration of Justice	2,469	0	0	0	0	2,469
Assigned for Public Safety	36,653	0	0	0	25,858	62,511
Assigned for Public Health and Welfare	152	0	0	0	104,456	104,608
Assigned for Social, Cultural, and Recreational Services	23,977	0	0	0	0	23,977
Assigned for Other Operations	300	0	0	0	0	300
Assigned for Highways/Public Works	0	0	0	0	37,326	37,326

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
FUND BALANCES (Cont.)	General	General Debt Service	Rural Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Unassigned	$ 1,701,429	$ 0	$ 0	$ 0	$ 0	$ 1,701,429
Total Fund Balances	$ 2,580,848	$ 3,184,603	$ 4,700,269	$ 1,126,809	$ 4,199,651	$ 15,792,180
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 13,159,321	$ 4,734,775	$ 6,050,362	$ 1,514,523	$ 6,720,675	$ 32,179,656

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

Exhibit C-2

Coffee 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)		$ 15,792,180
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Add: land	$ 4,081,549	
Add: construction in progress	22,052,296	
Add: buildings and improvements net of accumulated depreciation	9,325,918	
Add: infrastructure net of accumulated depreciation	7,357,072	
Add: other capital assets net of accumulated depreciation	3,078,631	45,895,466
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	$ (61,884,647)	
Less: notes payable	(761,000)	
Less: other loans payable	(12,172,708)	
Add: debt to be contributed by the School Department	71,426	
Add: deferred amount on refunding	49,925	
Less: compensated absences payable	(736,828)	
Less: other postemployment benefits liability	(580,108)	
Less: accrued interest on bonds, notes, and other loans	(317,877)	
Less: unamortized premium on debt	(315,437)	(76,647,254)
(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	$ 750,859	
Less: deferred inflows of resources related to pensions	(1,803,788)	(1,052,929)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		1,681,172
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		1,419,816
Net position of governmental activities (Exhibit A)		$ (12,911,549)

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

Exhibit C-3

Coffee 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	General Debt Service	Rural Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 11,862,215	$ 2,116,191	$ 3,554,222	$ 327,863	$ 2,004,094	$ 19,864,585
Licenses and Permits	250,203	0	0	0	15,566	265,769
Fines, Forfeitures, and Penalties	572,197	0	0	0	246,323	818,520
Charges for Current Services	616,855	0	0	0	1,946,330	2,563,185
Other Local Revenues	299,888	152,982	23,098	0	83,166	559,134
Fees Received from County Officials	2,850,473	0	0	0	0	2,850,473
State of Tennessee	2,025,602	0	0	0	2,170,788	4,196,390
Federal Government	187,365	0	397,225	0	0	584,590
Other Governments and Citizens Groups	131,387	0	71,429	0	0	202,816
Total Revenues	$ 18,796,185	$ 2,269,173	$ 4,045,974	$ 327,863	$ 6,466,267	$ 31,905,462
Expenditures						
Current:						
General Government	$ 1,738,197	$ 0	$ 0	$ 0	$ 22	$ 1,738,219
Finance	1,452,872	0	0	0	0	1,452,872
Administration of Justice	2,332,242	0	0	0	2,110	2,334,352
Public Safety	8,135,251	0	0	0	239,054	8,374,305
Public Health and Welfare	797,826	0	0	0	3,510,326	4,308,152
Social, Cultural, and Recreational Services	1,101,696	0	0	0	0	1,101,696
Agriculture and Natural Resources	312,558	0	0	0	0	312,558
Other Operations	1,225,165	0	0	0	124,357	1,349,522
Highways	0	0	0	0	1,813,507	1,813,507
Debt Service:						
Principal on Debt	350,000	23,210,353	2,960,313	0	83,000	26,603,666
Interest on Debt	8,750	798,357	2,665,205	0	6,406	3,478,718
Other Debt Service	0	57,433	254,719	0	0	312,152

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	General Debt Service	Rural Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)						
Capital Projects	$ 0	$ 0	$ 0	$ 3,825,482	$ 0	$ 3,825,482
Capital Projects - Donated	0	0	0	0	3,000,000	3,000,000
Total Expenditures	$ 17,454,557	$ 24,066,143	$ 5,880,237	$ 3,825,482	$ 8,778,782	$ 60,005,201
Excess (Deficiency) of Revenues Over Expenditures	$ 1,341,628	$ (21,796,970)	$ (1,834,263)	$ (3,497,619)	$ (2,312,515)	$ (28,099,739)
Other Financing Sources (Uses)						
Bonds Issued	$ 0	$ 22,000,000	$ 0	$ 0	$ 0	$ 22,000,000
Notes Issued	0	0	0	500,000	0	500,000
Proceeds from Sale of Capital Assets	0	0	0	0	11,059	11,059
Transfers In	0	0	136,117	400,000	0	536,117
Transfers Out	(136,117)	0	(400,000)	0	0	(536,117)
Total Other Financing Sources (Uses)	$ (136,117)	$ 22,000,000	$ (263,883)	$ 900,000	$ 11,059	$ 22,511,059
Net Change in Fund Balances	$ 1,205,511	$ 203,030	$ (2,098,146)	$ (2,597,619)	$ (2,301,456)	$ (5,588,680)
Prior-period Adjustment	0	0	0	(108,725)	0	(108,725)
Fund Balance, July 1, 2014	1,375,337	2,981,573	6,798,415	3,833,153	6,501,107	21,489,585
Fund Balance, June 30, 2015	$ 2,580,848	$ 3,184,603	$ 4,700,269	$ 1,126,809	$ 4,199,651	$ 15,792,180

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

Coffee 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)		$ (5,588,680)
(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	$ 4,259,283	
Less: current-year depreciation expense	(1,530,718)	2,728,565
(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	$ 34,057	
Less: book value of capital assets disposed	(56,299)	(22,242)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	$ 1,419,816	
Less: deferred delinquent property taxes and other deferred June 30, 2014	(2,296,344)	(876,528)
(4) The issuance of long-term debt (e.g., notes, other loans, bonds) 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 net effect of these differences in the treatment of long-term debt and related items:		
Less: bond proceeds	$ (22,000,000)	
Less: note proceeds	(500,000)	
Add: change in premium on debt issuances	55,943	
Add: principal payments on bonds	3,100,353	
Add: principal payments on notes	22,243,000	
Add: principal payments on other loans	1,260,313	
Less: contributions from the School Department for other loans	(71,429)	
Less: change in deferred amount on refunding debt	(21,876)	4,066,304
(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	$ 46,535	
Change in net pension liability/asset	1,911,232	
Change in deferred outflows related to pensions	750,859	
Change in deferred inflows related to pensions	(1,803,788)	
Change in compensated absences payable	(69,442)	
Change in other postemployment benefits liability	(24,107)	811,289
Change in net position of governmental activities (Exhibit B)		$ 1,118,708

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

Coffee 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	$ 11,862,215	$ 0	$ 0	$ 11,862,215	$ 11,982,328	$ 11,940,010	$ (77,795)
Licenses and Permits	250,203	0	0	250,203	219,233	219,233	30,970
Fines, Forfeitures, and Penalties	572,197	0	0	572,197	603,700	623,700	(51,503)
Charges for Current Services	616,855	0	0	616,855	616,500	616,500	355
Other Local Revenues	299,888	0	0	299,888	327,170	327,170	(27,282)
Fees Received from County Officials	2,850,473	0	0	2,850,473	2,886,000	2,936,000	(85,527)
State of Tennessee	2,025,602	0	0	2,025,602	2,079,734	2,417,139	(391,537)
Federal Government	187,365	0	0	187,365	182,575	220,922	(33,557)
Other Governments and Citizens Groups	131,387	0	0	131,387	48,050	48,050	83,337
Total Revenues	$ 18,796,185	$ 0	$ 0	$ 18,796,185	$ 18,945,290	$ 19,348,724	$ (552,539)
Expenditures							
General Government							
County Commission	$ 48,956	$ 0	$ 0	$ 48,956	$ 46,510	$ 50,495	$ 1,539
Board of Equalization	1,534	0	0	1,534	1,615	1,615	81
Other Boards and Committees	22,026	0	0	22,026	22,030	22,030	4
County Mayor/Executive	193,142	0	0	193,142	198,978	201,131	7,989
County Attorney	40,800	0	0	40,800	40,800	40,800	0
Election Commission	342,069	(8,647)	7,978	341,400	363,610	365,910	24,510
Register of Deeds	215,515	(640)	0	214,875	208,965	239,012	24,137
Codes Compliance	103,751	0	388	104,139	100,051	107,731	3,592
County Buildings	637,364	(19,077)	36,530	654,817	675,173	723,390	68,573
Other General Administration	131,479	0	0	131,479	137,698	138,573	7,094
Preservation of Records	1,561	0	0	1,561	250	1,750	189
Finance							
Accounting and Budgeting	407,346	(2,133)	0	405,213	402,767	407,259	2,046
Property Assessor's Office	335,411	0	1,457	336,868	342,620	349,932	13,064
Reappraisal Program	23,766	0	0	23,766	20,992	28,398	4,632
County Trustee's Office	298,845	0	950	299,795	303,543	303,543	3,748
County Clerk's Office	387,504	0	0	387,504	404,836	412,756	25,252

(Continued)

Exhibit C-5

Coffee 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	$ 1,052,241	$ 0	$ 2,469	$ 1,054,710	$ 1,111,980	$ 1,131,980	$ 77,270
General Sessions Judge	399,781	0	0	399,781	421,746	414,310	14,529
Drug Court	236,969	0	0	236,969	250,000	237,000	31
Chancery Court	288,351	0	0	288,351	291,863	293,776	5,425
Judicial Commissioners	118,158	0	0	118,158	120,252	121,852	3,694
Probation Services	236,742	0	0	236,742	261,818	261,818	25,076
Public Safety							
Sheriff's Department	2,619,648	(2,468)	7,663	2,624,843	2,739,121	2,689,975	65,132
Traffic Control	13,159	0	0	13,159	14,190	14,190	1,031
Administration of the Sexual Offender Registry	450	0	0	450	2,000	2,000	1,550
Jail	3,847,201	(30,010)	28,990	3,846,181	4,468,780	3,911,745	65,564
Juvenile Services	313,111	(1,223)	0	311,888	329,984	333,340	21,452
Rural Fire Protection	282,000	0	0	282,000	282,000	282,000	0
Civil Defense	157,354	(5,927)	0	151,427	131,523	169,870	18,443
Rescue Squad	17,000	0	0	17,000	17,000	17,000	0
County Coroner/Medical Examiner	83,848	0	0	83,848	40,000	85,178	1,330
Other Public Safety	801,480	0	0	801,480	854,048	854,048	52,568
Public Health and Welfare							
Local Health Center	579,932	(3,800)	152	576,284	760,233	800,617	224,333
Rabies and Animal Control	88,996	0	0	88,996	104,070	104,070	15,074
Alcohol and Drug Programs	2,000	0	0	2,000	2,000	2,000	0
Appropriation to State	82,378	0	0	82,378	82,378	82,378	0
General Welfare Assistance	8,846	0	0	8,846	8,850	8,850	4
Other Waste Disposal	35,674	0	0	35,674	67,400	67,400	31,726
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	202,980	0	0	202,980	199,478	203,187	207
Libraries	882,301	(9,990)	23,919	896,230	917,898	917,898	21,668
Other Social, Cultural, and Recreational	16,415	(2,664)	58	13,809	0	16,967	3,158

(Continued)

Coffee 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	$ 226,540	$ 0	$ 0	$ 226,540	$ 225,544	$ 226,544	$ 4
Soil Conservation	86,018	0	0	86,018	86,663	86,663	645
Other Operations							
Industrial Development	239,172	0	0	239,172	239,172	239,172	0
Veterans' Services	11,692	0	300	11,992	12,298	12,352	360
Other Charges	931,351	0	0	931,351	1,264,000	947,295	15,944
Contributions to Other Agencies	14,450	0	0	14,450	14,450	14,450	0
Payments to Cities	28,500	0	0	28,500	28,500	28,500	0
Principal on Debt							
General Government	350,000	0	0	350,000	0	350,000	0
Interest on Debt							
General Government	8,750	0	0	8,750	0	8,750	0
Total Expenditures	$ 17,454,557	$ (86,579)	$ 110,854	$ 17,478,832	$ 18,619,677	$ 18,331,500	$ 852,668
Excess (Deficiency) of Revenues Over Expenditures	$ 1,341,628	$ 86,579	$ (110,854)	$ 1,317,353	$ 325,613	$ 1,017,224	$ 300,129
Other Financing Sources (Uses)							
Insurance Recovery	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,553	$ (1,553)
Transfers Out	(136,117)	0	0	(136,117)	(146,755)	(146,755)	10,638
Total Other Financing Sources	$ (136,117)	$ 0	$ 0	$ (136,117)	$ (146,755)	$ (145,202)	$ 9,085
Net Change in Fund Balance	$ 1,205,511	$ 86,579	$ (110,854)	$ 1,181,236	$ 178,858	$ 872,022	$ 309,214
Fund Balance, July 1, 2014	1,375,337	(86,579)	0	1,288,758	575,665	575,665	713,093
Fund Balance, June 30, 2015	$ 2,580,848	$ 0	$ (110,854)	$ 2,469,994	$ 754,523	$ 1,447,687	$ 1,022,307

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

Exhibit D-1

Coffee County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2015

		Business-type Activities
		Nonmajor Enterprise Fund
		Wayside Acres Sewer Fund
ASSETS		
Current Assets:		
Equity in Pooled Assets and Investments	$	18,291
Accounts Receivable		2,926
Due from Other Funds		14,883
Total Current Assets	$	36,100
Noncurrent Assets:		
Capital Assets:		
Assets Not Depreciated:		
Land	$	30,120
Assets Net of Accumulated Depreciated:		
Buildings and Improvements		476,275
Total Noncurrent Assets	$	506,395
Total Assets	$	542,495
LIABILITIES		
Current Liabilities:		
Current Portion of Long-term Debt	$	5,089
Total Current Liabilities	$	5,089
Noncurrent Liabilities:		
Due in More Than One Year	$	283,273
Total Noncurrent Liabilities	$	283,273
Total Liabilities	$	288,362
NET POSITION		
Net Investment in Capital Assets	$	218,033
Unrestricted		36,100
Total Net Position	$	254,133

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

Exhibit D-2

Coffee County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Business-type Activities Nonmajor Enterprise Fund Wayside Acres Sewer Fund
Operating Revenues	
Charges for Current Services	$ 35,113
Total Operating Revenues	$ 35,113
Operating Expenses	
Public Health and Welfare	$ 26,339
Depreciation	26,951
Total Operating Expenses	$ 53,290
Operating Income (Loss)	$ (18,177)
Nonoperating Revenues (Expenses)	
Contributions	$ 35,000
Interest on Other Loans	(12,308)
Total Nonoperating Revenues (Expenses)	$ 22,692
Change in Net Position	$ 4,515
Net Position, July 1, 2014	249,618
Net Position, June 30, 2015	$ 254,133

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

Exhibit D-3

Coffee County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Business-type Activities — Nonmajor Enterprise Fund — Wayside Acres Sewer Fund
Cash Flows from Operating Activities	
Receipts from Customers and Users	$ 35,113
Payments to Suppliers	(26,339)
Net Cash Provided By (Used In) Operating Activities	$ 8,774
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Other Loans	$ (4,804)
Interest Paid on Other Loans	(12,308)
Net Cash Provided By (Used In) Capital and Related Financing Activities	$ (17,112)
Cash Flows from Noncapital Financing Activities	
Contributions	$ 20,117
Net Cash Provided By (Used In) Noncapital Financing Activities	$ 20,117
Net Increase (Decrease) in Cash	$ 11,779
Cash, July 1, 2014	6,512
Cash, June 30, 2015	$ 18,291
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	$ (18,177)
Adjustment to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	26,951
Net Cash Provided By (Used In) Operating Activities	$ 8,774

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

Exhibit E

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

	Agency Funds
ASSETS	
Cash	$ 2,859,383
Equity in Pooled Cash and Investments	470,291
Accounts Receivable	4,208
Due from Other Governments	2,798,618
Property Taxes Receivable	8,559,389
Allowance for Uncollectible Property Taxes	(259,467)
Total Assets	$ 14,432,422
LIABILITIES	
Accounts Payable	$ 763
Cash Overdraft	129,557
Due to State of Tennessee	127
Due to Other Taxing Units	11,057,055
Due to Litigants, Heirs, and Others	2,954,316
Due to Joint Ventures	290,604
Total Liabilities	$ 14,432,422

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

COFFEE COUNTY, TENNESSEE
Index of Notes to the Financial Statements

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coffee 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 Coffee County:

A. Reporting Entity

Coffee County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Coffee 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 Coffee County School Department operates the public school system in the county, and the voters of Coffee County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Coffee County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Coffee County, and the Coffee 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 Industrial Board of Coffee County provides and assists industry in Coffee County, and the Coffee County Commission appoints its board of directors. The board comprises three members each from the City of Tullahoma, the City of Manchester, and from rural areas. The board is primarily funded by appropriations from the county.

The Coffee County Public Building Authority oversees the operations of the conference center, which benefits the citizens of the City of Manchester and

Coffee County. The Coffee County Commission appoints the seven-member board of directors, and Coffee County and the City of Manchester share equally in the profits and losses of the conference center. The center is primarily funded by charges assessed for the use of the facility. During the year ended June 30, 2015, the county's share of the losses of the conference center totaled $80,000.

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

Administrative Offices:

Coffee County Emergency Communications District
911 Jack Welch Drive
Manchester, TN 37355

Industrial Board of Coffee County
1329 McArthur Street, Suite 4
Manchester, TN 37355

Public Building Authority of Coffee County
147 Hospitality Boulevard
Manchester, TN 37355

B. Government-wide and Fund Financial Statements

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

Coffee County issues all debt for the discretely presented Coffee County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2015.

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

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

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

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

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. 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. Coffee County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

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

Coffee 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.

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.

Rural 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 issued for school projects outside the territorial limits of the Special School District.

General Capital Projects – This fund accounts for general capital expenditures of the county. These include various construction projects and purchases of capital assets.

Additionally, Coffee County reports the following fund types:

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

Enterprise Fund – The Wayside Acres Sewer Fund is used to account for the transactions of the Wayside Acres sewer operation.

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 Coffee County, the city school systems' share of educational revenues, state grants and other restricted revenues held for the benefit of the Fourteenth Judicial District Drug Task Force, and restricted revenues held for the benefit of the Office of District Attorney General. 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 Coffee County School Department reports the following major governmental fund:

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

Additionally, the Coffee County School Department reports the following fund types:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund used to account for the transactions of the Wayside Acres sewer operation.

Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's enterprise fund are charges for services.

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

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.67 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. Claims and judgments payable are discussed in Note V.A. Risk Management.

Retainage payable in the discretely presented School Department's Other Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects.

3. **Inventories**

Inventories of Coffee County are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather that when purchased. Inventories are offset in the nonspendable fund balance account in governmental funds.

4. **Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 ($10,000 for the discretely presented Coffee County School Department) 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 and Improvements	10 - 50
Land Improvements	10 - 50
Infrastructure	15 - 40
Other Capital Assets	3 - 20
Library Assets	3 - 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. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for pension changes in experience, employer contributions made to the pension plan after the measurement date, and the deferred charge on refunding. 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. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, pension changes in investment earnings, changes in proportionate share of pension contributions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

The general policy of Coffee County allows employees to accumulate a limited number of unused vacation days; however, the unused vacation days that exceed the limit allowed by county policy are transferred to sick days on the employee's anniversary date. The remaining unused vacation days are paid to employees when they separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. 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.

County employees are allowed to accumulate unlimited sick leave days; however, the granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

The general policy of the discretely presented Coffee County School Department does not allow for the accumulation of vacation days beyond year-end for professional employees. Support staff are allowed to accumulate unused vacation days. Vacation pay is accrued for support staff when incurred in the government-wide financial statements for the School Department. A liability for vacation pay is reported in the governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

7. Long-term Obligations

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

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

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

8. Net Position and Fund Balance

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

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

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

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

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for Other Purposes for the primary government consists of pension obligations.

As of June 30, 2015, Coffee County had $48,677,708 in outstanding debt for capital purposes for the discretely presented Coffee County School Department. This debt is a liability of Coffee County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Coffee County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

9. **Minimum Fund Balance Policy**

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

General Fund – four percent of current-year appropriations

Debt Service Funds – an amount equal to debt requirements for the first six months of the subsequent fiscal year

10. **Prior-period Adjustment**

Fund balance was restated $108,725 from the prior year in the General Capital Projects Fund because an error was made in posting part of the proceeds of a bond anticipation note in the prior year resulting in an overstatement of revenue.

11. **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 decreasing Coffee County's and the Coffee County School Department's beginning net position has been recognized on the Statement of Activities totaling $230,061 and $6,216,013, respectively.

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

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

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

Primary Government

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

Discretely Presented Coffee County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 (special revenue fund), which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

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

Fund	Description		Amount
Primary Government:			
Major Funds:			
General	Jail Food and Non-Food Supplies	$	26,063
"	Election Software		7,978
"	HVAC Unit		27,323
"	Library Books and Supplies		23,918
Nonmajor Funds:			
Solid Waste/ Sanitation	Repairs to Dumpsters and Containers		5,500
"	Hydraulic Cylinders		4,200
Ambulance Service	Ambulance		80,987
Drug Control	Equipping Patrol Cars		23,418
Highway/Public Works	Asphalt		21,505
"	Crushed Stone		10,000
School Department:			
Major Fund:			
General Purpose School	Textbooks		4,601
"	Computer Hardware		24,746
"	Paving		99,999
"	Gym Floor		17,900

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the

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

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

Investments

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

The county had no pooled or nonpooled investments as of June 30, 2015.

B. 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	$ 4,081,549	$ 0	$ 0	$ 4,081,549
Construction in Progress	18,269,210	3,783,086	0	22,052,296
Total Capital Assets Not Depreciated	$ 22,350,759	$ 3,783,086	$ 0	$ 26,133,845
Capital Assets Depreciated:				
Buildings and Improvements	$ 18,156,764	$ 0	$ 0	$ 18,156,764
Infrastructure	15,767,746	0	0	15,767,746
Other Capital Assets	7,666,440	510,254	(114,741)	8,061,953
Total Capital Assets Depreciated	$ 41,590,950	$ 510,254	$ (114,741)	$ 41,986,463
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 8,456,019	$ 374,827	$ 0	$ 8,830,846
Infrastructure	7,875,933	534,741	0	8,410,674
Other Capital Assets	4,420,614	621,150	(58,442)	4,983,322
Total Accumulated Depreciation	$ 20,752,566	$ 1,530,718	$ (58,442)	$ 22,224,842
Total Capital Assets Depreciated, Net	$ 20,838,384	$ (1,020,464)	$ (56,299)	$ 19,761,621
Governmental Activities Capital Assets, Net	$ 43,189,143	$ 2,762,622	$ (56,299)	$ 45,895,466

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

Governmental Activities:

General Government	$ 329,488
Finance	7,433
Administration of Justice	4,083
Public Safety	258,799
Public Health and Welfare	150,811
Social, Cultural, and Recreational	111,161
Highways/Public Works	641,943
Total Depreciation Expense - Governmental Activities	$ 1,503,718

Business-type Activities:

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	$ 30,120	$ 0	$ 30,120
Total Capital Assets Not Depreciated	$ 30,120	$ 0	$ 30,120
Capital Assets Depreciated:			
Infrastructure	$ 673,775	$ 0	$ 673,775
Total Capital Assets Depreciated	$ 673,775	$ 0	$ 673,775
Less Accumulated Depreciation For:			
Infrastructure	$ 170,549	$ 26,951	$ 197,500
Total Accumulated Depreciation	$ 170,549	$ 26,951	$ 197,500
Total Capital Assets Depreciatied, Net	$ 503,226	$ (26,951)	$ 476,275
Business-type Activities Capital Assets, Net	$ 533,346	$ (26,951)	$ 506,395

The business-type activities had no decreases in capital assets during the year ended June 30, 2015.

Discretely Presented Coffee County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	$ 1,438,853	$ 0	$ 0	$ 1,438,853
Construction in Progress	22,643,924	1,642,004	(24,272,875)	13,053
Total Capital Assets Not Depreciated	$ 24,082,777	$ 1,642,004	$ (24,272,875)	$ 1,451,906
Capital Assets Depreciated:				
Buildings and Improvements	$ 35,910,202	$ 24,385,404	$ (279,988)	$ 60,015,618
Other Capital Assets	5,349,729	89,542	(109,912)	5,329,359
Total Capital Assets Depreciated	$ 41,259,931	$ 24,474,946	$ (389,900)	$ 65,344,977
Less Accumulated Depreciation:				
Buildings and Improvements	$ 10,289,014	$ 801,648	$ (180,266)	$ 10,910,396
Other Capital Assets	2,345,856	278,119	(109,912)	2,514,063
Total Accumulated Depreciation	$ 12,634,870	$ 1,079,767	$ (290,178)	$ 13,424,459
Total Capital Assets Depreciated, Net	$ 28,625,061	$ 23,395,179	$ (99,722)	$ 51,920,518
Governmental Activities Capital Assets, Net	$ 52,707,838	$ 25,037,183	$ (24,372,597)	$ 53,372,424

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

Governmental Activities:

Instruction	$ 848,352
Support Services	204,580
Operation of Non-instructional Services	26,835
Total Depreciation Expense - Governmental Activities	$ 1,079,767

C. Construction Commitments

At June 30, 2015, the School Department had an uncompleted construction contracts of approximately $947,614 for the construction of new roofs at three middle schools. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 183,686
General Capital Projects	General Debt Service	15,000
Nonmajor governmental	General	35,674
Nonmajor enterprise	General Capital Projects	14,883
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	41,686
Nonmajor governmental	General Purpose School	2,000

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	$ 71,426

The Due to Primary Government consists of the balance of the energy efficiency loan issued by the county for the School Department. The School Department has agreed to contribute the funds annually to retire this lease. This long-term obligation is reflected in the governmental activities on the Statement of Net Position.

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In Rural Debt Service Fund	Transfers In General Capital Projects Fund
General Fund	$ 136,117	$ 0
Rural Debt Service	0	400,000
Total	$ 136,117	$ 400,000

Discretely Presented Coffee County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental fund	$ 24,997

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

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, six years for notes, and up to 18 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. General obligation bonds included in long-term debt as of June 30, 2015, will be retired from the General Debt Service and Rural Debt Service funds. Notes included in long-term debt will be retired from the General Debt Service, Highway/Public Works, and Rural Debt Service funds. Other loans included in long-term debt will be retired from the General, General Debt Service, and Rural Debt Service funds.

General obligation bonds, notes, 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	3.125 to 7.15 %	8-28-52	$ 61,875,000	$ 61,284,647
General Obligation Bonds - Refunding	2.56	6-1-17	1,500,000	600,000
Notes	2.19 to 2.3	7-22-18	1,250,000	761,000
Other Loans	0 to 4.75	7-1-27	16,137,000	11,822,708
Other Loans	Variable	12-31-16	1,750,000	350,000

The county was the defendant in a lawsuit filed by the City of Tullahoma and its board of education. The city was seeking reimbursement of certain sales tax proceeds that they alleged were due them since Coffee County failed to follow state statute relative to the disbursement of sales tax proceeds, which are used for educational purposes. In October 2009, a settlement was reached between the parties for a payment to the City of Tullahoma totaling $2,000,000. In accordance with the settlement, Coffee County made a payment to the City of Tullahoma for $250,000 from the General Fund on October 1, 2010. The balance of $1,750,000 was originally to be paid on or before December 31, 2011; however, an agreement was reached between the county and the City of Tullahoma to allow the balance to be repaid over a period of five years. This amount is reflected as an Other Loans Payable and is to be repaid in five equal installments of $350,000 at a variable interest rate based on the Fed Funds Rate.

On November 2, 2006, Coffee County entered into a loan agreement with the Public Building Authority of Coffee County. Under this agreement, the authority loaned $4,510,000 to Coffee County at interest rates ranging from 3.55 to four percent to refinance a portion of the outstanding balance of a loan issued to the county during the 2000-01 year.

On December 10, 2008, Coffee County entered into a loan agreement with the Tennessee Local Government Alternative Loan Program. Under this agreement the program loaned $7,600,000 to Coffee County at an interest rate of 4.75 percent for school construction projects and agreed to refinance the outstanding balance of debt issued in prior years.

On October 7, 2010, Coffee County entered into a loan agreement with the Tennessee State School Board Authority. Under this loan agreement, the authority loaned Coffee County $3,027,000 from Qualified School Construction Bonds, Series 2010 for rehabilitation and repairs of county school buildings. This loan earns interest monthly based upon the local government investment pool rate, which is netted against the annual principal payment. The county pays an annual administrative fee of $2,422 under this agreement. The loan retirement schedule also includes equal monthly payments of interest of approximately 4.85 percent which is offset by a federal interest rate subsidy.

In prior years, Coffee County and the discretely presented Coffee County School Department entered into two separate loan agreements with the state Department of Economic and Community Development to provide energy efficiency improvements in the county's schools. Under each of these agreements, the state loaned the county $500,000 at an interest rate of zero percent.

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

Year Ending	Bonds		
June 30	Principal	Interest	Total
2016	$ 889,957	$ 2,798,218	$ 3,688,175
2017	899,940	2,768,235	3,668,175
2018	635,241	2,737,934	3,373,175
2019	630,869	2,717,306	3,348,175
2020	656,835	2,696,940	3,353,775
2021-2025	4,146,197	13,137,790	17,283,987
2026-2030	8,627,407	12,167,263	20,794,670
2031-2035	11,214,550	10,321,799	21,536,349
2036-2040	13,732,077	7,737,798	21,469,875
2041-2045	14,111,026	3,214,974	17,326,000
2046-2050	4,279,305	670,695	4,950,000
2051-2053	2,061,243	72,921	2,134,164
Total	$ 61,884,647	$ 61,041,873	$ 122,926,520

Year Ending June 30	Notes Principal	Interest	Total
2016	$ 245,000	$ 16,065	$ 261,065
2017	247,000	10,828	257,828
2018	204,000	5,475	209,475
2019	65,000	2,452	67,452
Total	$ 761,000	$ 34,820	$ 795,820

Year Ending June 30	Other Loans Principal	Interest	Total
2016	$ 1,510,310	$ 550,856	$ 2,061,166
2017	1,148,884	515,782	1,664,666
2018	1,183,884	479,331	1,663,215
2019	1,253,884	441,284	1,695,168
2020	1,298,884	399,117	1,698,001
2021-2025	4,667,702	1,395,045	6,062,747
2026-2028	1,109,160	401,622	1,510,782
Total	$ 12,172,708	$ 4,183,037	$ 16,355,745

There is $7,884,872 available in the debt service funds to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled $1,417, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-15
Other Loans Payable	
Contributions from the General Purpose School Fund	
Energy Efficiency Improvements	$ 71,426

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	$ 42,985,000	$ 22,504,000	$ 13,433,021
Additions	22,000,000	500,000	0
Reductions	(3,100,353)	(22,243,000)	(1,260,313)
Balance, June 30, 2015	$ 61,884,647	$ 761,000	$ 12,172,708
Balance Due Within One Year	$ 889,957	$ 245,000	$ 1,510,310

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	$ 667,386	$ 556,001
Additions	726,215	45,573
Reductions	(656,773)	(21,466)
Balance, June 30, 2015	$ 736,828	$ 580,108
Balance Due Within One Year	$ 36,841	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 76,135,291
Less: Balance Due Within One Year	(2,682,108)
Add: Unamortized Premium on Debt	315,437
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 73,768,620

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

Wayside Acres Sewer Fund (enterprise fund)

Other loans outstanding were issued for original terms of up to 38 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The other loans included in long-term liabilities as of June 30, 2015, will be retired by the enterprise fund.

Other loans outstanding as of June 30, 2015, for business-type activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
Other Loans	4.125 to 4.375 %	12-20-44	$ 324,000	$ 288,362

The annual requirements to amortize all other loans outstanding as of June 30, 2015, including interest payments, are presented in the following table:

Year Ending	Other Loans		
June 30	Principal	Interest	Total
2016	$ 5,089	$ 12,023	$ 17,112
2017	5,306	11,806	17,112
2018	5,533	11,579	17,112
2019	5,770	11,342	17,112
2020	6,016	11,096	17,112
2021-2025	34,171	51,389	85,560
2026-2030	42,137	43,423	85,560
2031-2035	51,963	33,597	85,560
2036-2040	64,089	21,471	85,560
2041-2045	68,288	6,624	74,912
Total	$ 288,362	$ 214,350	$ 502,712

Changes in Long-term Obligations

Long-term obligations activity for the Wayside Acres Sewer Fund (enterprise fund) for the year ended June 30, 2015, was as follows:

Business-type Activities:

	Other Loans
Balance, July 1, 2014	$ 293,166
Reductions	(4,804)
Balance, June 30, 2015	$ 288,362
Balance Due Within One Year	$ 5,089

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 288,362
Less: Balance Due Within One Year	(5,089)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 283,273

Discretely Presented Coffee County School Department

Changes in Long-term Obligations

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

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	$ 88,351	$ 4,890,814
Additions	61,768	1,097,040
Reductions	(52,744)	(590,650)
Balance, June 30, 2015	$ 97,375	$ 5,397,204
Balance Due Within One Year	$ 77,900	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 5,494,579
Less: Balance Due Within One Year	(77,900)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 5,416,679

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

F. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employee's on-behalf of Coffee 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 by the state to the Medicare Supplement Plan for the year ended June 30, 2015, were $875. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Coffee County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Coffee 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 $200,601 and $38,513, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

The county issued revenue anticipation notes in advance of collections and deposited the proceeds in the General, Ambulance Service, General Purpose School, and School Federal Projects funds. These notes were necessary because funds were not available to meet fund obligations coming due before current revenue collections. Short-term debt activity for the year ended June 30, 2015, was as follows:

Fund	Balance 7-1-14	Issued	Paid	Balance 6-30-15
Primary Government:				
General	$ 0	$ 2,000,000	$ (2,000,000)	$ 0
Ambulance Service	0	349,000	(349,000)	0
School Department:				
General Purpose School	0	1,200,000	(1,200,000)	0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Coffee County's policy (except for the Highway Department and Ambulance Service) is to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, casualty, workers' compensation, and environmental. Settled claims have not exceeded this commercial coverage in any of the past two fiscal years.

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

The Coffee County Ambulance Service purchases commercial insurance for the risk of losses to which it is exposed. These risks include general liability, property, casualty, and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

Discretely Presented Coffee County School Department

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

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.

The School Department provides a self-insured dental and vision plan for all full-time employees through the General Purpose School Fund. Retirees are not allowed to participate in the program. The cost of this plan was provided by appropriations made for that purpose. Payroll deductions were made from employees' compensation for the portion of premiums relating to family coverage. The dental and vision plan provides maximum yearly benefit amounts for participants. The maximum calendar year benefit under the dental plan is $1,500 per person. The vision plan also contains limits on benefits and the number of procedures covered by the plan. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The self-insurance program funds established claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustments and expenditures, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Estimates	Payments	End of Fiscal Year Liability
2013-14	$ 122,895	$ 566,908	$ 591,488	$ 98,315
2014-15	98,315	675,656	536,693	237,278

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

Between July 1, 2015, and February 11, 2016, the various county funds issued tax anticipation notes to provide temporary operating funds. These notes are summarized in the following schedule:

From Fund	To Fund	Amount
Rural Debt Service	General	$ 1,827,794
"	General Purpose School	1,500,000
"	School Federal Projects	100,000

On December 15, 2015, Coffee County issued $4,875,000 in general obligation bonds on behalf of the School Department for repairs and upgrades to the high school building and $2,610,000 in general obligation refunding bonds for the purpose of refunding the county's Series Z-4-A loans.

D. Contingent Liabilities

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

E. Changes in Administration

On August 31, 2014, David Pennington left the Office of County Mayor and was succeeded by Gary Cordell, Steve Parks left the Office of Road Superintendent and was succeeded by Benton Bartlett, James Wilhem left the Office of Trustee and was succeeded by John Marchesoni, and Ellen Vaughn left the Office of Register and was succeeded by Donna Toney.

F. Joint Ventures

The Fourteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fourteenth Judicial District and participating municipalities in the district. The DTF interlocal agreement was signed by the sheriff of Coffee County and the police chiefs of the cities of Manchester and Tullahoma. 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, sheriff, and police chiefs of participating law enforcement agencies within each judicial district. Coffee County made no contributions to the DTF for the year ended June 30, 2015.

Coffee County is a participant with Warren, Cannon, and Rutherford counties in a multi-county Municipal Solid Waste Planning Region. This entity was created to promote the preparation of municipal solid waste regional plans to effectively and efficiently manage solid waste. This entity is governed by a 13-member board comprising appointees from Cannon County (2), Coffee County (2), Rutherford County (3), Warren County (2), the City of Manchester (1), the City of McMinnville (1), the City of Murfreesboro (1), and the City of Woodbury (1). Funding is provided from member contributions and grants. There are no separately issued financial statements for the Municipal Solid Waste Planning Region. Rutherford County has been designated as the fiscal agent for the Planning Region and accounts for its activities through the Joint Venture Fund (agency fund), which is included in the financial statements reflected in Rutherford County's comprehensive annual financial report.

Coffee County does not have an equity interest in the above-noted joint ventures. Complete financial statements for the DTF and the Municipal Solid Waste Planning Region can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Office of District Attorney General
Fourteenth Judicial District
307 South Woodland
Manchester, TN 37355

Municipal Solid Waste Planning Region
c/o Ernest Burgess, Rutherford County Mayor
County Courthouse, Room 101
Murfreesboro, TN 37130

Discretely Presented Coffee County School Department

The Coffee County School Department participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Coffee County, Coffee County, Dickson County, Fayetteville City, Hickman County, Houston County, Humphreys County, Manchester City, Marshall County, Maury County, Robertson County, and Stewart County. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated*. The cooperative 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 (Stewart County School

Department) and a service provider to offer these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

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

Administrative Office:

Volunteer State Cooperative
P.O. Box 433
110 Natcor Drive
Dover, TN 37058

G. **Jointly Governed Organization**

The Tri-County Railroad Authority is jointly operated by Coffee County, in conjunction with Warren and White counties. The authority's board comprises the county mayor/executive of each county and one member selected by the governing body of each county; however, the counties do not have any ongoing financial interest or responsibility for the entity.

H. **Retirement Commitments**

1. **Tennessee Consolidated Retirement System (TCRS)**

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Coffee County, non-certified employees of the discretely presented Coffee County School Department, the discretely presented Public Building Authority of Coffee County, and the discretely presented Industrial Development Board of Coffee County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 49.35 percent, the non-certified employees of the discretely presented School Department comprise 48.48 percent, the employees of the discretely presented Public Building Authority of Coffee County comprise 1.3 percent, and the employees of the discretely presented Industrial Development Board of Coffee County comprise .87 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	175
Inactive Employees Entitled to But Not Yet Receiving Benefits	309
Active Employees	462
Total	946

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. Coffee 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 Coffee County were $1,100,026 based on a rate of 8.78 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Coffee 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)

Coffee 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 Coffee 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	$ 34,934,223	$ 33,373,989	$ 1,560,234
Changes for the year:			
Service Cost	$ 1,124,029	$ 0	$ 1,124,029
Interest	2,652,435	0	2,652,435
Differences Between Expected and Actual Experience	(1,472,065)	0	(1,472,065)
Contributions-Employer	0	1,094,055	(1,094,055)
Contributions-Employees	0	644,561	(644,561)
Net Investment Income	0	5,551,086	(5,551,086)
Benefit Payments, Including Refunds of Employee Contributions	(1,384,888)	(1,384,888)	0
Administrative Expense	0	(18,439)	18,439
Other Changes	0	0	0
Net Changes	$ 919,511	$ 5,886,375	$ (4,966,864)
Balance, June 30, 2014	$ 35,853,734	$ 39,260,364	$ (3,406,630)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	49.35%	$ 17,693,818	$ 19,374,990	$ (1,681,172)
School Department	48.48%	17,381,890	19,033,424	(1,651,534)
Public Building Authority	1.3%	466,099	510,385	(44,286)
Industrial Development Board	0.87%	311,927	341,565	(29,638)
Total		$ 35,853,734	$ 39,260,364	$ (3,406,630)

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

Coffee County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 1,277,531	$ (3,406,630)	$ (7,306,756)

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

Pension Income. For the year ended June 30, 2015, Coffee County recognized pension income of $217,718.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Coffee 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	$ 1,226,721
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,428,370
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	1,100,026	N/A
Total	$ 1,100,026	$ 3,655,091

(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	$	750,859	$	1,803,788
School Department		338,858		1,771,988
Public Building Authority		0	(1)	47,516
Industrial Development Board		10,309		31,799
Total	$	1,100,026	$	3,655,091

(1) Amount unavailable

Amounts reported as deferred outflows of resources, with the exception of contributions after 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	$ (852,437)
2017	(852,437)
2018	(852,437)
2019	(852,437)
2020	(245,344)
Thereafter	0

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

Discretely Presented Coffee County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Coffee County, non-certified employees of the discretely presented Coffee County School Department, and employees of the discretely presented Public Building Authority of Coffee County, and the employees of the Industrial Development Board of Coffee County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 49.35 percent, the non-certified employees of the discretely presented School Department comprise 48.48 percent, the employees of the discretely presented Public Building Authority of Coffee County comprise 1.3 percent, and the employees of the discretely presented Industrial Development Board of Coffee County comprise .87 percent, of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire 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 $39,007, 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 Coffee 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 ending June 30, 2015, the Coffee 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	$ 39,007	N/A

The Coffee County School Department's employer contributions of $39,007 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 of the Coffee County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated* (*TCA*), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

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 LEA if the required employer contributions are not remitted. Employer contributions by the Coffee County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were $1,512,145, 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 Coffee County School Department reported an asset of $74,043 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 Coffee County School Department's proportion of the net pension asset was based on the Coffee 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 Coffee County School Department's proportion was .455662 percent. The proportion measured as of June 30, 2013, was .460501 percent.

Pension Income. For the year ended June 30, 2015, the Coffee County School Department recognized a pension income of $74,878.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ending June 30, 2015, the Coffee 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	$ 179,758	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	6,100,673
Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions	0	68,259
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	1,512,145	N/A
Total	$ 1,691,903	$ 6,168,932

The Coffee County School Department's employer contributions of $1,512,145 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	$ (1,506,585)
2017	(1,506,585)
2018	(1,506,585)
2019	(1,506,585)
2020	18,583
Thereafter	18,583

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 adjustment 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 Coffee 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 Coffee 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	$ 12,488,190	$ (74,043)	$ 10,474,210

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 Coffee 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 Coffee 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 Coffee County School Department contributed $48,758 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

Coffee County School Department offers its employees two deferred compensation plans, one established pursuant to IRC Section 401(k), and the other pursuant to IRC Section 408(a), Roth IRA. All costs of administering and funding these programs are the responsibility of plan participants. The Section 401(k) and Section 408(a) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Sections 401(k) and 408(a) establish participation, contribution, and withdrawal provisions for the plans.

I. Other Postemployment Benefits (OPEB)

Plan Description

Coffee County and the Coffee County School Department participate in the state-administered Local Education Group Insurance Plan and Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for retirees ranges from ten percent to 55 percent based on the years of service. During the year ended June 30, 2015, the county and the discretely presented School Department contributed $21,466 and $590,650, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	$ 45,000	$ 1,092,000
Interest on the NOPEBO	22,240	195,633
Adjustment to the ARC	(21,667)	(190,593)
Annual OPEB cost	$ 45,573	$ 1,097,040
Amount of contribution	(21,466)	(590,650)
Increase/decrease in NOPEBO	$ 24,107	$ 506,390
Net OPEB obligation, 7-1-14	556,001	4,890,814
Net OPEB obligation, 6-30-15	$ 580,108	$ 5,397,204

Fiscal Year Ended	Plans		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed			Net OPEB Obligation at Year End
6-30-13	Local Government Group	$	103,951	13	%	$	517,027
6-30-14	"		44,533	12			556,001
6-30-15	"		45,573	47			580,108
6-30-13	Local Education Group		1,169,612	47			4,438,146
6-30-14	"		1,058,573	57			4,890,814
6-30-15	"		1,097,040	54			5,397,204

Funded Status and Funding Progress

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

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	$ 304,000	$ 9,030,000
Actuarial value of plan assets	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 304,000	$ 9,030,000
Actuarial value of assets as a % of the AAL	0%	0
Covered payroll (active plan members)	$ 8,945,449	$ 19,997,052
UAAL as a % of covered payroll	3%	45%

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 Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016, and then be reduced by decrements to an ultimate rate of 4.7 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.

J. Office of Central Accounting and Budgeting

Office of Director of Accounts and Budgets

Coffee County operates under the provisions of a local resolution, which creates the Office of Director of Accounts and Budgets. Under this resolution, the director of accounts and budgets directs the operation of the funds under the control of the county mayor. For years, the director of accounts and budgets has also performed all accounting and budgeting functions for the county's Highway Department; however, there is no state law or local resolution governing this arrangement in Coffee County. The nature and operation of this informal arrangement has created a type of Office of Central Accounting, Budgeting, and Purchasing similar to that created by the adoption of the County Fiscal Procedure Law of 1957.

K. Purchasing Laws

Offices of County Mayor and Road Superintendent

Purchasing procedures for these offices are governed by provisions of the County Purchasing Law of 1957, Section 5-14-101, et seq., *Tennessee Code Annotated* (*TCA*). Purchasing procedures in the Highway Department are also governed by the Uniform Road Law, Section 54-7-113, *TCA*. These statutes provide for the purchasing agent to make purchases for these departments, with purchases exceeding $7,500 ($10,000 Highway Department) to be made on the basis of competitive bids solicited through public advertisement.

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED COFFEE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

The Coffee County Emergency Communications District was established on April 4, 1987, to provide an enhanced level of 911 service to Coffee County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Coffee County. The district is run by a board of directors, which is appointed by Coffee County. The district must file a budget with Coffee County each year. Any bond issued by the district is subject to approval by Coffee County.

The district uses the accrual basis of accounting and economic resource measurement focus. Revenues are recognized when earned, and expenses are recognized when incurred.

1. Depreciation

Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives using the straight-line method. Depreciation begins when the capital assets are placed in service. Depreciation is summarized as follows:

	Method	Estimated Useful Life (Years)		2015 Depreciation
Buildings/Improvements	S/L	10-30	$	5,050
Office Equipment	S/L	5-10		972
Furniture and Fixtures	S/L	5-10		1,433
Communication Equipment	S/L	5-20		88,815
Total			$	96,270

2. Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges. The district's nonoperating revenue consists of a grant, contributions from other governments and agencies, reimbursements, interest/investment income, and sales of map books.

B. Subsequent Events

The district has evaluated subsequent events through the date the financial statements were available to be issued.

C. Cash and Cash Investments

The following is a schedule of bank accounts at June 30, 2015:

Checking – First National Bank	$	110,262
Money Market – American City Bank		180,695
Money Market – Southern Community Bank		251,059
Tower Fund – Coffee County Bank		109,634
Checking (Building) – Coffee County Bank		59,659
Certificates of Deposit – Coffee County Bank		500,000
Certificates of Deposit – Peoples Bank		160,184
Certificates of Deposit – Peoples Bank		260,463
Certificates of Deposit – First National Bank		305,901
Certificates of Deposit – First National Bank		151,958
Certificates of Deposit – Southern Community Bank		202,685
Total	$	2,292,500

At June 30, 2015, the carrying amount of the district's cash deposits was $2,292,500. The district's deposit accounts are covered up to $250,000 by the Federal Deposit Insurance Corporation. Any amounts over $250,000 are covered by collateralization held by First National Bank and Coffee County Bank in the district's name. Peoples Bank and American City Bank are members of the Government Collateralization Pool. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *Tennessee Code Annotated*. [Acts 1992, ch 891, section 10].

D. Bonding and Insurance

The district had a bond covering certain members of the board at June 30, 2015. The district has liability insurance covering the building and its contents. The policy also insures employees automobiles used in the conduct of business. The district had no settlements that exceeded the coverage for the past three years.

E. Capital Assets

The following is a schedule of capital assets at June 30, 2015:

Assets	Cost	Accumulated Depreciation	Net
Non-Depreciable Assets:			
Construction in Progress	$ 25,765	$ 0	$ 25,765
Depreciable Assets:			
Buildings/Improvements	$ 186,628	$ 114,563	$ 72,065
Office Equipment	33,114	30,048	3,066
Furniture and Fixtures	44,716	42,316	2,400
Communication Equipment	1,171,061	740,494	430,567
Subtotal	$ 1,435,519	$ 927,421	$ 508,098
Total Assets	$ 1,461,284	$ 927,421	$ 533,863

Assets	Balance 7-1-14	Additions	Balance 6-30-15
Non-Depreciable Assets			
Construction in Progress	$ 0	$ 25,765	$ 25,765
Depreciable Assets			
Buildings/Improvements	$ 186,628	$ 0	$ 186,628
Office Equipment	29,519	3,595	33,114
Furniture and Fixtures	43,625	1,091	44,716
Communication Equipment	1,171,061	0	1,171,061
Subtotal	$ 1,430,833	$ 4,686	$ 1,435,519
Total	$ 1,430,833	$ 30,451	$ 1,461,284

F. **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

G. **Accounts Receivable/Due from Other Governments**

As of June 30, 2015, all 911 Surcharge revenue was received by the district.

H. **Compensated Absences**

There were no compensated absences as of June 30, 2015.

I. **Salaries and Wages**

The district has a contract with Coffee County for the county to provide the director and dispatcher labor to the district. These contracts are disclosed under "Contracts with Government Agencies" in the Statement of Revenues, Expenses, and Changes in Net Position. The district pays payroll directly to part-time employees, which is disclosed under "Salaries and Wages – Part-time Personnel" in the Statement of Revenues, Expenses, and Changes in Net Position.

J. **Calculation of Invested in Capital Assets**

Net Book Value	$ 533,863
Current and Noncurrent Debt	0
Total Invested in Capital Assets	$ 533,863

K. **Budgetary Information**

As stated above, the district must file a budget with Coffee County each year, which must be adopted by the Board of Directors. The budget is prepared on the accrual basis of accounting. Compliance with the adopted budget is required at the line-item level.

VII. OTHER NOTES – DISCRETELY PRESENTED PUBLIC BUILDING AUTHORITY OF COFFEE COUNTY

A. **Summary of Significant Accounting Policies**

The Public Building Authority of Coffee County, Tennessee, was incorporated September 5, 2000. The purpose of the authority is to provide the capital resources (through the sale of bonds, notes, and other obligations) necessary to acquire, construct, reconstruct, rehabilitate, or improve facilities necessary or convenient to the operation of the related entities. In accordance with Section 12-10-108, *Tennessee Code Annotated*, the authority has seven Board of Directors that are elected by the governing body, the County Commission of Coffee County, Tennessee, and they hold office for staggered six-year terms. As defined in GASB Statement No. 14, the authority is a legal entity that meets the definition of a component unit of Coffee County in that a financial benefit/burden relationship exists between the county and the authority.

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

1. **Reporting Entity**

The authority follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* to define the reporting entity. The financial statements include all operations over which the authority is financially accountable. The authority is not a participant in any joint venture and has not identified any entities, which would be component units of the authority.

2. **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 authority's activities. 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 or segment. 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 as general revenues. The effect of interfund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. **Measurement Focus and Basis of Accounting**

Government-wide Financial Statements

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

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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. Revenues susceptible to accrual are interest on investments and intergovernmental revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met, provided they are collected in the current period or within sixty days thereafter. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The authority has presented the following major governmental funds:

> General Fund – This fund is the main operating fund of the authority. This fund is used to account for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

> Bond Fund – This fund is a special revenue fund used to account for the loans made by the authority to the city and county for capital projects such as the joint industrial park, vocational rehab center, and water lines for the county. The collection of principal and interest on these loans is recorded in the bond fund.

Proprietary Fund Financial Statements

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Conference Center are charges for catering, space rental, and related services. During the June 30, 2013 fiscal year, the Conference Center began offering a culinary arts and hospitality tech school in conjunction with the Tennessee Technology Center at McMinnville. This activity was discontinued during the current fiscal year. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The authority has presented the following major proprietary fund:

> Manchester Conference Center – This fund is used to account for the services provided at the conference center.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the authority's policy to use restricted resources first, then unrestricted resources as they are needed.

4. **Equipment**

Plant and equipment is stated at cost, and depreciation is computed using the straight-line method based upon the estimated useful lives of the assets. The estimated useful lives vary from five to 40 years. Major expenditures for plant and equipment are capitalized while maintenance and repairs are expensed when incurred.

5. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. **Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the authority considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

7. **Interfund Receivables, Payables, and Transactions Between Funds**

Short-term amounts owed between funds are classified as "due to/from other funds." Legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds. Any residual balances outstanding between the governmental and business-type activities are reported in the governmental-wide financial statements as "internal balances".

8. **Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the authority is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The authority did not have any nonspendable resources as of June 30, 2015.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The authority did not have any restricted resources as of June 30, 2015.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that as employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The authority did not have any committed resources as of June 30, 2015.

Assigned: This classification includes amounts that are constrained by the authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the manager through the budgetary process. The authority did not have any assigned resources as of June 30, 2015.

Unassigned: This classification includes the residual fund balance for the General Fund.

The authority would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to deter the use of these other classified funds.

9. Conference Center

During the year ended June 30, 2002, the authority completed construction of the Manchester-Coffee County Conference Center, located adjacent to the Holiday Inn in Manchester. The PBA is responsible for operating the Conference Center. Operations of the

Conference Center are reported as an enterprise fund of the PBA. In an agreement with the authority, the City of Manchester and Coffee County are jointly responsible for underwriting the debt and operations of the Center. Furthermore, any net profits and losses attributable to the operation of the Conference Center are born equally by the City of Manchester and Coffee County.

B. Cash

The authority is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During 2015, the authority invested funds that are not immediately needed in certificates of deposit, savings accounts, and money market accounts. The authority's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the authority's bank in the authority's name. The carrying amount of total cash deposits (including petty cash) at June 30, 2015, was $108,924.

C. Receivables

A summary of governmental receivables for the year ended June 30, 2015, follows:

Governmental Entity:	Balance 6-30-15
Coffee County	$ 2,915,000
City of Manchester	1,010,000
Total	$ 3,925,000

Of the total, the authority expects to receive $138,750 from the City of Manchester and $416,250 from Coffee County for bond payment within the next 12 months.

The business-type activities consist of the following receivables for the year ended June 30, 2015:

Receivables	Balance 6-30-15
Trade Receivables	$ 40,584
Total	$ 40,584

D. Capital Assets

A summary of changes in property, plant, and equipment for the year ended June 30, 2015, follows:

Governmental Activities

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated: Land	$ 25,000	$ 0	$ 0	$ 25,000
Total Capital Assets Not Depreciated	$ 25,000	$ 0	$ 0	$ 25,000
Capital Assets Depreciated: Other Capital Assets	$ 26,817	$ 0	$ 0	$ 26,817
Total Capital Assets Depreciated	$ 26,817	$ 0	$ 0	$ 26,817
Less Accumulated Depreciation For: Other Capital Assets	$ 8,653	$ 1,758	$ 0	$ 10,411
Total Accumulated Depreciation	$ 8,653	$ 1,758	$ 0	$ 10,411
Total Capital Assets Depreciated, Net	$ 18,164	$ (1,758)	$ 0	$ 16,406
Governmental Activities Capital Assets, Net	$ 43,164	$ (1,758)	$ 0	$ 41,406

Depreciation expense totaled $1,758 for the year ended June 30, 2015.

Business-type Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Depreciated:				
Buildings	$ 2,415,202	$ 59,997	$ 0	$ 2,475,199
Other Capital Assets	328,402	8,808	0	337,210
Total Capital Assets Depreciated	$ 2,743,604	$ 68,805	$ 0	$ 2,812,409
Less Accumulated Depreciation For:				
Buildings	$ 718,567	$ 63,719	$ 0	$ 782,286
Other Capital Assets	307,035	6,157	0	313,192
Total Accumulated Depreciation	$ 1,025,602	$ 69,876	$ 0	$ 1,095,478
Total Capital Assets, Net	$ 1,718,002	$ (1,071)	$ 0	$ 1,716,931

Depreciation expense totaled $69,876 for the year ended June 30, 2015.

E. **Bonds Payable**

The following is a summary of the authority's bonded debt transactions for the year ended June 30, 2015:

	Series Z-4A 4.5 to 5%
Balance, July 1, 2014	$ 4,445,000
Reductions	(520,000)
Balance, June 30, 2015	$ 3,925,000

Annual debt service requirements for bonds, Series Z-4A outstanding to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2016	$ 555,000	$ 157,000	$ 712,000
2017	590,000	134,800	724,800
2018	630,000	111,200	741,200
2019-2021	2,150,000	175,400	2,325,400
Total	$ 3,925,000	$ 578,400	$ 4,503,400

The City of Manchester and Coffee County are jointly responsible for the bonds payable.

F. **Conduit Debt**

The authority is an unauthorized conduit debt issuer under the Tennessee Local Government Alternative Loan Program (TN-LOANS Program). The authority has issued bonds as conduit debt on behalf of the Cities of Manchester, TN, Winchester, TN, Fayetteville, TN, White House, TN, Lawrenceburg, TN, Harrison County, TN, and Coffee County, Tennessee. The borrowers have guaranteed, insured, and pledged certain revenues for repayments of these bond issues. The bonds do not constitute a debt or pledge of faith and credit of the authority and, accordingly, have not been reported in the accompanying financial statements. The total conduit debt outstanding as of June 31, 2015, for all conduit bond issues is $27,225,000.00.

G. **Inventory**

Inventory is stated at cost and includes food and supplies used by the conference center. The cost is recorded as an expense when purchased.

H. **Restricted Net Position**

The government-wide Statement of Net Position and Statement of Net Position – Proprietary Fund reports $16,905 of restricted net position, which has been restricted due to liquor license requirements.

I. **Budgetary Data**

Formal budgetary accounting is employed as a management control for all funds of the authority. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. Budgetary control is exercised at the departmental level.

The Public Building Authority's actual expenditures exceeded the amount appropriated in the final budget passed on August 11, 2014. This practice is contrary to state statutes, which require all expenditures of the general fund be authorized by the governing body.

J. Risk Financing Activities

It is the policy of the authority to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and environmental. Settled claims have not exceeded commercial coverage in the past four fiscal years, and there are currently no pending lawsuits.

K. Retirement Plan

The employees of the authority are covered under the plan covering employees of Coffee County. The Coffee County Government unit pays for this plan.

L. Allowance for Doubtful Accounts

The authority has adopted the direct write-off method to account for bad debt expense. Receivables are reviewed annually and uncollectable accounts are currently expensed. There was no bad debt expense in 2015.

M. Special Investigation

The office of the Comptroller of the Treasury is conducting a special investigation of selected records of the Public Building Authority of Coffee County, Tennessee. The report is not available as of the release date of the Audit Report.

VIII. OTHER NOTES – DISCRETELY PRESENTED INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.

A. Summary of Significant Accounting Policies

The Industrial Board of Coffee County, Tennessee, Inc. (the board) was incorporated in 1969. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Industrial Board of Coffee County, Tennessee, Inc. The board is a component unit of Coffee County, Tennessee (the primary government). The primary government appoints members of the board of directors, and is funded primarily by appropriations from the county. The purpose of the board is to promote industry and develop trade for Coffee County, Tennessee.

The financial statements of the Industrial Board of Coffee County, Tennessee, Inc., have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standard Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the board's accounting policies are described below:

1. **Government-wide Statements**

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The government-wide Statement of Activities reports both the gross and the net cost of the board's programs. The functions are also supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

As required by GASB Statement No. 63, net position is presented in the following three components:

- Net investment in capital assets – This component of net position 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. If there are significant unspent debt proceeds at year-end, the portion of debt is included in the same net position component as unspent proceeds.

- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted – This component of net position consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

2. **Reserves, Designations of Fund Balances**

In the governmental fund financial statements, the board has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The main objective of this standard is to improve the understandability and the usefulness of fund balance information by providing clear fund balance classifications. GASB Statement No. 54 shall only apply to the board's governmental funds. Fund balance is reported in the fund financial statements under the following classifications:

Nonspendable fund balance – Amounts that cannot be spent because they are not in a spendable form, including items not expected to be converted to cash (i.e. inventory or prepaids) or are legally or contractually required to be maintained in tact (principal of a permanent fund).

Restricted fund balance – Amounts of fund balance that can be spent for specific purposes stipulated by an external source or through enabling legislation.

Committed fund balance – Amounts constrained for specific purposes as determined by formal action of the Board of Directors, the highest level of decision-making body. Amounts classified as committed are not subject to legal enforceability; however, they cannot be used for any other purpose unless the board removes or changes the commitment by the same highest level of action taken to commit the funds, either by resolution or ordinance.

Assigned fund balance – Amounts intended to be used by the board but do not meet the criteria of restricted or committed. Intent can be expressed by the board or by an official who has been designated this authority by the board. Appropriations of fund balance to eliminate budgetary deficits in subsequent year's budget are presented as assigned.

Unassigned fund balance – In accordance with GAAP, unassigned fund balance is the residual classification of the General Fund that does not meet any other classifications.

Stabilization policy – The board has a fund balance policy that requires the unassigned fund balance be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unseen needs of an emergency nature, and to permit orderly adjustment of changes resulting from fluctuations of revenue sources.

Spending policy – Unless otherwise stated, the fund balances will be spent in the following order:

Restricted
Committed
Assigned
Unassigned

3. Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available). Available means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The financial transactions of the board are reported in individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures. The board reports the following fund:

General Fund – This fund is used as the general operating fund of the board. It is used to account for financial resources except those required to be accounted for in another fund.

The board adopts a budget for the General Fund as a management control device. The budget is adopted on a basis consistent with generally accepted accounting principles.

4. **Date of Management's Subsequent Review**

Management has evaluated subsequent events through the date the financial statements were available to be issued.

5. **Impact of Recently Issued Accounting Pronouncements**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions Liabilities*, required for fiscal periods beginning after June 15, 2014. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Implementation of the Statement No. 68 resulted in a restatement of the beginning net position in government-wide statement of activities (see Note J below).

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, 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. GASB Statement No. 71 is a one page amendment to GASB Statement No. 68.

6. **Estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. **Equipment**

Equipment is stated at cost, less accumulated depreciation, which is computed by the straight-line method over an estimated useful life of five to 20 years. Major expenditures for equipment and for repairs which substantially increase the useful lives are capitalized. Maintenance, minor repairs and minor acquisitions are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in revenue or expense.

8. **Cash and Cash Equivalents**

For purpose of reporting cash flows, cash equivalents include all short-term liquid investments with maturities of three months or less.

9. **Accounts Receivable**

The board considers accounts receivable to be fully collectible at June 30, 2015; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged off when that determination is made.

10. **Compensated Absences**

Employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave and sick leave, if vested. Accumulated unpaid vacation and sick pay related to governmental fund type operations that has not matured is reported in the applicable governmental activities in the Statements of Net Position and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources.

11. **Federal Income Taxes**

The board is exempt from federal and state income tax.

12. **Pension Plan**

The board does not provide a pension plan for its employees; however, employees are covered under the plan for Coffee County. Employees of Coffee County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS).

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

13. **Deferred Outflows of Resources**

The board reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The only deferred outflows of resources reported in this year's financial statements is a deferred outflow of resources for contributions made to the board's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the board's fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

14. **Deferred Inflows of Resources**

The board's statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the System's statement of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. No deferred inflows of resources affect the governmental funds financial statements in the current year.

B. Cash Deposits with Financial Institutions

The board is authorized to deposit its funds in banks, trust companies, or other depositories as the board may select. Deposits are carried at cost. At year-end, the carrying amount of deposits was $905,306, and the bank balance was $905,295. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. At June 30, 2015, deposits of approximately $5,482 were not collateralized.

C. Capital Assets

Property, plant, and equipment consist of various office machines and improvements, which are being depreciated over five to 20 years using the straight line method.

A summary of changes in capital assets is as follows:

Assets	Balance 7-1-14	Additions	Deletions	Balance 6-30-15
Capital Assets being Depreciated:				
Equipment	$ 24,571	$ 0	$ (8,881)	$ 15.690
Land Improvement	1.694,573	1,123,940	0	2.818.513
Vehicles	199,705	0	0	199.705
Total Capital Assets being Depreciated:	$ 1.918.849	$ 1,123,940	$ (8,881)	$ 3,033.908
Less Accumulated Depreciation:				
Equipment	$ 21,949	$ 1,611	$ (8,751)	$ 14,809
Vehicles	69,896	9,985	0	79,881
Total Accumulated Depreciation	$ 91,845	$ 11,596	$ (8,751)	$ 94,690
Total Capital Assets being Depreciated, Net:	$ 1,827,004	$ 1,112,344	$ (130)	$ 2,939.218

Depreciation expense for the year ended June 30, 2015, was $11,596.

Land is transferred to the board from Coffee County and in private-sector company account. It was deeded to the board at $1 with improvements made during 2014 and 2015 fiscal years. The property will be deeded to the company at the end in twenty years.

D. Notes Payable and Other Obligations

1. Transaction Summary

Notes and other obligations activity for the year ended June 30, 2015, was as follows:

		Compensated Absences		Notes		Net Pension Liability	
Balance, July 1, 2014	$	10,493	$	843,952	$	4,381	(1)
Additions		4,253		0		8,012	
Reductions		0		(843,952)		(44,412)	
Balance, June 30, 2015	$	14,746	$	0	$	(32,019)	

(1) As restated

2. <u>Description of Amounts Payable</u>

Other obligations:		
Compensated Absences	$	14,746
Total	$	14,746

E. Pension

Plan Description. Employees of the board are provided a defined benefit pension plan through the Coffee County Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)* Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of 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. 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.

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	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	2
Total	2

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Coffee 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 Coffee County were $10,309 based on a rate of 8.78 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Coffee County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

At June 30, 2014, the board reported an asset of $32,019 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The board's proportion of the net pension liability was based on a projection of the board's long-term share of contributions to the pension plan relative to the projected contributions of all participating Coffee County, actuarially determined. At June 30, 2014, the board's proportion was .94 percent.

Actuarial Assumptions. The total pension liability as of 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 rates 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 rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity	6.46 %	33 %
Developed Market International Equity	6.26	17
Emerging Market International Equity	6.40	5
Private Equity and Strategic Lending	4.61	8
U.S. Fixed Income	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 Coffee 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.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the board's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Boards Proportionate Share of the Net Pension Liability (Asset)	$ 12,009	$ (32,022)	$ (68,684)

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

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

Pension Income. For the year ended June 30, 2015, the board recognized pension income of $2,043.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the board 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	$ 11,531
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	22,827
Contributions Subsequent to the Measurement Date of June 30, 2014	10,309	N/A
Total	$ 10,309	$ 34,358

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.

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	$ (8,013)
2017	(8,013)
2018	(8,013)
2019	(8,013)
2020	(2,306)
Thereafter	0

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

F. Other Postemployment Benefits (OPEB)

The Industrial Board of Coffee County, Tennessee, Inc., and Coffee County participate in the state-administered Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)* for local governments. Prior to reaching age 65, all members have the option of choosing between standard or partnership preferred provider organization plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial report (CAFR). The CAFR is available on the state's website at http://tennessee.gov/finbance/act/cafr.html.

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employee' premiums since the committee are not prescriptive on that issue. During the year, the board contributed $0 to the plan. The liability for the Industrial Board of Coffee County, Tennessee, Inc., and Coffee County is not considered material. Addition actuarial information on the OPEB cost and obligation is available on the annual report for Coffee County, Tennessee, for the year ended June 30, 2015.

G. Commitments and Contingencies

The board receives a substantial amount of its support from the local county government. A significant reduction in the level of such support, if this were to occur, may have an effect on the board's programs and activities.

H. Note Receivable

The board has a note receivable due from an individual dated September 28, 2006, to sell 17.42 acres located in the Coffee County Interstate Industrial Park. The gross sales price was $104,520, with $42,000 paid to the board at closing, and a note receivable for the remainder of $62,520. The note was due September 28, 2013, and is secured by a deed of trust on the property. No monthly payments were due until September 28, 2010, at which time payments of $633 were commenced for not more than three years, with the remainder being due at September 28, 2013. According to the terms of the note, interest is added to the principal balance annually. The interest rate is 5.5%. The balance of the note receivable at June 30, 2015, was $79,129. No payments have been received during 2015 fiscal year; however, the note is considered collectible; therefore, no provision for loss has been recorded.

Schedule of changes to note receivable during the year follows:

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.

		Teal Note
Balance, July 1, 2014	$	79,129
Balance, June 30, 2015	$	79,129
Balance Due Within One Year	$	79,129

I. **Lease Agreement**

The board purchased a fire truck in July 2007 for $199,705. The truck is to be leased to the Hickerson Station Fire Department. There is no stated monthly lease payment with the fire station responsible for insurance, maintenance and service on the truck with ownership remaining with the board. The lease is for continuous twelve-month periods with 60 days' notice by either party required to terminate the lease agreement.

J. **Restatement and Reclassifications**

As mentioned in Note VIII.A.5. to the financial statements, the board implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions Liabilities. This pension standard includes significant changes on how governmental employers report liabilities related to pension obligations. As such, the opening fund balances have been adjusted to this change as follows:

		Governmental Activities
Net Position, Beginning as Previously Presented	$	2,475,576
Implementation of GASB Statement No. 68 To Reduce Net Position for Amount of Net Position Liability as of July 1, 2014		(4,381)
Net Position, Beginning as Restated	$	2,471,195