NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: "AA-"

PRELIMINARY OFFICIAL STATEMENT

$6,775,000*

CITY OF JEFFERSON CITY, TENNESSEE

General Obligation Refunding Bonds, Series 2017

OFFERED FOR SALE NOT SOONER THAN

Wednesday, July 19, 2017 at 10:15 A.M. E.D.T.
Through the Facilities of ***PARITY***®
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Financial Advisor

July 12, 2017

*Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 12, 2017

NEW ISSUE Rating: S&P: "AA-"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds will be 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. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

$6,775,000*
CITY OF JEFFERSON CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

Dated: Date of Delivery (assume August 10, 2017) Due: June 1 (as indicated below)

The $6,775,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds") shall be issued by the City of Jefferson City, Tennessee (the "City") as book-entry-only Bonds in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 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 system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

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

Due (June 1)	Amount*	Interest Rate	Yield	CUSIPs**	Due (June 1)	Amount*	Interest Rate	Yield	CUSIPs**
2018	$ 90,000				2027	$ 405,000			
2019	60,000				2028	415,000			
2020	335,000				2029	430,000			
2021	345,000				2030	440,000			
2022	355,000				2031	450,000			
2023	365,000				2032	460,000			
2024	375,000				2033	475,000			
2025	385,000				2034	490,000			
2026	395,000				2035	505,000			

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 by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from J. Michael Kerr, counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about August __, 2017.

Cumberland Securities Company, Inc.
Financial Advisor

July __, 2017 *Preliminary, subject to change.

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

This Preliminary Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this 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 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 (as defined herein), 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 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 or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer 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 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 S&P CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City 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.

CITY OF JEFFERSON CITY, TENNESSEE

OFFICIALS

Honorable Mark Potts	*Mayor*
Monica Myers	*City Recorder*
John B. Johnson	*City Manager*
J. Michael Kerr	*City Attorney*

COMMISSIONERS

Mitch Cain, Vice Mayor

Kevin Bunch

Ann Cole

Dennis "Rocky" Melton

BOND REGISTRAR AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

SUMMARY STATEMENT i

SUMMARY NOTICE OF SALE iii

DETAILED NOTICE OF SALE v

BID FORM xiii

SECURITIES OFFERED

Authority and Purpose 1
Refunding Plan 1
Description of the Bonds 1
Security 2
Qualified Tax-Exempt Obligations 2
Optional Redemption 2
Mandatory Redemption 3
Notice of Redemption 3

BASIC DOCUMENTATION

Registration Agent 5
Book-Entry-Only System 5
Discontinuance of Book-Entry-Only System 7
Disposition of Bond Proceeds 8
Discharge and Satisfaction of Bonds 8
Remedies of Bondholders 9

LEGAL MATTERS

Litigation 10
Tax Matters
Federal 10
State Taxes 12
Changes in Federal and State Tax Law 12
Approval of Legal Proceedings 12

MISCELLANEOUS

Rating 13
Competitive Public Sale 13
Financial Advisor; Related Parties; Other 13
Debt Record 14
Additional Debt 14
Continuing Disclosure 15
Five-Year History Filing 15
Content of Annual Report 15
Reporting of Significant Events 16
Termination of Reporting Obligation 17
Amendment; Waiver 17
Default 18
Additional Information 18

CERTIFICATION OF ISSUER 19

APPENDIX A: FORM OF LEGAL OPINION

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

Location B-1
General B-1
Transportation B-1
Education B-2
Healthcare B-2
Power Production B-2
Manufacturing and Commerce B-3
Employment Information B-4
Economic Data B-5
Recreation B-5
Recent Developments B-6

DEBT STRUCTURE

Summary of Bonded Indebtedness B-7
Indebtedness and Debt Ratios B-8
Debt Service Requirements - General Obligation B-10
Debt Service Requirements – Water and Sewer B-11

FINANCIAL OPERATIONS

Basis of Accounting and Presentation B-12
Fund Balances and Retained Earnings B-12
Five-Year Summary of Revenues, Expenditures and Changes in Fund Balance – General Fund B-13
Budgetary Process B-14
Investment and Cash Management Practices B-14

Real Property Assessment, Tax Levy and Collection Procedures

State Taxation of Property B-14
County Taxation of Property B-15
Assessment of Property B-16
Periodic Reappraisal and Equalization B-17
Valuation for Property Tax Purposes B-17
Certified Tax Rate B-17
Tax Freeze for the Elderly Homeowners B-18
Tax Collection and Tax Lien B-18
Assessed Valuations B-19
Property Tax Rates and Collections B-19
Ten Largest Taxpayers B-20

Pension Plans B-20

APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS – THE CITY OF JEFFERSON CITY, TENNESSEE

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*.

Issuer	City of Jefferson City, Tennessee (the "City", "Municipality" or "Issuer"). See APPENDIX B contained herein.
The Bonds	$6,775,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds").
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds (as defined herein) of the City, as described herein; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED - Authority and Purpose" contained herein.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2023, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, 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 the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled "LEGAL MATTERS-Tax Matters" and APPENDIX A (form of opinion) included herein.
Bank Qualification	The Bonds have been designated or deemed designated 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: "AA-". See the section entitled "MISCELLANEOUS - Rating" for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor; Related Parities; Others", herein.
Underwriter	_____.
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".

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 the section entitled 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 City will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID") established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled "MISCELLANEOUS - Continuing Disclosure" for additional information.

Other Information ..... The information in the *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof for the omission of certain pricing and other information. For more information concerning the City, or the PRELIMINARY OFFICIAL STATEMENT, contact John Johnson, City Manager, 112 City Center Drive, Jefferson City, Tennessee 37760, Telephone: (865) 475-9071; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850.7422.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances
(In Thousands)
For the Fiscal Year Ended June 30

	2012	**2013**	**2014**	**2015**	**2016**
Beginning Fund Balance	$ 3,606,691	$4,999,107	$5,540,634	$6,504,561	$7,255,576
Revenues	7,871,184	7,512,458	7,885,131	8,443,620	8,883,356
Expenditures	5,819,447	6,192,773	7,113,612	6,829,193	7,297,355
Excess of Revenues Over (under) Expenditures	2,051,737	1,319,685	771,519	1,614,427	1,586,001
Other Financing Sources: Sale of Notes/Lease Proceeds	-	-	-	77,542	126,105
Other Sources	28,322	15,085	753,025	9,039	36,175
Transfers In	-	-	-	4,722	4,950
Transfers Out	(687,643)	(793,243)	(1,012,249)	(954,715)	(992,090)
Special Items	-	-	451,632	-	-
Ending Fund Balance	**$ 4,999,107**	**$5,540,634**	**$6,504,561**	**$7,255,576**	**$8,016,717**

Source: Comprehensive Annual Financial Reports of the City of Jefferson City, Tennessee.

SUMMARY NOTICE OF SALE

$6,775,000*

CITY OF JEFFERSON CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

NOTICE IS HEREBY GIVEN that the Mayor of the City of Jefferson City, Tennessee (the "City") will receive electronic or written sealed bids until **10:15 a.m. E.D.T.** on **Wednesday , July 19, 2017** for the purchase of all, but not less than all, of the City's $6,775,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds"). Electronic bids must be submitted through ***PARITY***® as described in the "Detailed Notice of Sale". In case of written bids, bids will be received by the the City's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City 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 August 10, 2017). The Bonds will mature on June 1 in the years 2018 through 2035, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2017 and will be subject to optional redemption prior to maturity on or after June 1, 2023 at par plus accrued interest, if any. 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 City 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 City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

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

Unless bids are rejected, the Bonds will be awarded by the Mayor of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

*Preliminary, subject to change.

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 City'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.

CITY OF JEFFERSON CITY, TENNESSEE
By: Mark Potts, City Mayor

(The remainder of this page left blank intentionally.)

DETAILED NOTICE OF SALE

$6,775,000*
CITY OF JEFFERSON CITY, TENNESSEE

General Obligation Refunding Bonds, Series 2017

NOTICE IS HEREBY GIVEN that the Mayor of the City of Jefferson City, Tennessee (the "City") will receive electronic or written sealed bids until **10:15 a.m. E.D.T.** on **Wednesday, July 19, 2017** for the purchase of all, but not less than all, of the City's $6,775,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds"). Electronic bids must be submitted through ***PARITY***® as described in this "Detailed Notice of Sale.**"** In case of written bids, bids will be received by the City's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City 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 10:15 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, bear interest payable each June 1 and December 1, commencing December 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 (subject to the right of redemption as hereinafter set forth) and be payable as follows:

YEAR (JUNE 1)	Amount*	YEAR (JUNE 1)	Amount*
2018	$ 90,000	2027	$ 405,000
2019	60,000	2028	415,000
2020	335,000	2029	430,000
2021	345,000	2030	440,000
2022	355,000	2031	450,000
2023	365,000	2032	460,000
2024	375,000	2033	475,000
2025	385,000	2034	490,000
2026	395,000	2035	505,000

Bank Qualification. The Bonds have been designated as "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

*Preliminary, subject to change.

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 City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-entry system is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the City, 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 City 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 City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Purpose. The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds of the City, 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, 2024, and thereafter, will be subject to optional redemption prior to maturity at the option of the City at any time on and after June 1, 2023 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 City 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 City 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 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 City 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 Detailed Notice of Sale shall prevail. An electronic bid made through the facilities of ***PARITY***® shall be deemed an offer to purchase in response to this Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by ***PARITY***®. The use of ***PARITY***® facilities are at the sole risk of the prospective bidders.

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

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the City'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 City 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 by facsimile to the City's Financial Advisor, at 865-988-1863.. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

The City 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 City to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor of the City 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 Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

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

Adjustment and/or Revision. While it is the City's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to $1,700,000. The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among

other factors the 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 City. Additionally, the Mayor reserves the right to change the dated date of the Bonds. The maximum adjustment will only be made if the maximum bid (including premium) is received.

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

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

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City'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 City'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 City as liquidated damages.

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

Establishment of Issue Price

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

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

- the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- all bidders shall have an equal opportunity to bid;
- the City expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

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

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

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

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

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

2. Selling compensation (aggregate total anticipated compensation to the underwriter 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 City.

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

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. 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 and is not an item of tax preference for purposes of the federal law alternative minimum tax imposed on individuals and 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 City 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 City by not later than twelve months after each of the City'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 City 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 events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of material events will be

summarized in the City'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 form through the facilities of DTC, 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 City. The City 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 City 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 City will furnish the successful bidder at the expense of the City 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. Acceptance of the bid will constitute a contract between the City 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*, this Detailed Notice of Sale and the Official Bid Form, may be obtained from the City'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.

CITY OF JEFFERSON CITY, TENNESSEE

By: Mark Potts
City Mayor

Exhibit A to Detailed Notice of Sale

CITY OF JEFFERSON CITY, TENNESSEE
$_____ GENERAL OBLICATION REFUNDING BONDS, SERIES 2017
ISSUE PRICE CERTIFICATE

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

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

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

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

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

2. ***Defined Terms***.

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

(b) *Issuer* means City of Jefferson City, Tennessee.

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale or exchange the Bonds. The Sale Date of the Bonds is June 28, 2017.

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the

preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [Issue Date]

[UNDERWRITER], as Underwriter

By:_____

Name:_____

BID FORM

The Honorable Mark Potts, Mayor
112 City Center Drive
Jefferson City, Tennessee 37760

July 19, 2017

Dear Mayor Potts:

For your legally issued, properly executed $6,775,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds") of City of Jefferson City, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ _____ ($_____).

The Bonds shall be dated the date of issuance (assume August 10, 2017) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on June 1 and bear interest at the following rates:

Maturity (June 1)	Amount*	Rate	Maturity (June 1)	Amount*	Rate
2018	$ 90,000	___	2027	$ 405,000	___
2019	60,000	___	2028	415,000	___
2020	335,000	___	2029	430,000	___
2021	345,000	___	2030	440,000	___
2022	355,000	___	2031	450,000	___
2023	365,000	___	2032	460,000	___
2024	375,000	___	2033	475,000	___
2025	385,000	___	2034	490,000	___
2026	395,000	___	2035	505,000	___

We have 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, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the City without cost to us.

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

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

Accepted for and on behalf of the
City of Jefferson City, Tennessee, this
19th day of July, 2017.

_____
Mark Potts, Mayor

Respectfully submitted,

_____

_____

Total interest cost from
August 10, 2017 to final maturity $_____
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.

$6,775,000*
CITY OF JEFFERSON CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2017

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Jefferson City, Tennessee (the "City", "Municipality" or "Issuer") of its $6,775,000* General Obligation Refunding Bonds, Series 2017 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to resolutions (the "Resolution") adopted by the City Council of the City (the "Board") on July 18, 2017.

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 City is proposing to refinance the City's outstanding General Obligation Bonds, Series 2009, dated October 28, 2009, maturing June 1, 2020 and thereafter (the "Outstanding Bonds") to the June 1, 2019 call date at par plus accrued interest. A portion of the proceeds of the Bonds, together with available funds of the City, 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 Bonds 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 initially dated and bear interest from the date of issuance (assume August 10, 2017). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2017. The Bonds are issuable in registered book-entry form only and in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of 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 City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, 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 City 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 City or other available funds of the City 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 City.

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 City 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

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

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Commissioners of the City, 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 City 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 with a maturity shall be selected in the same manner as described above for 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 City 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 City 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 City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and

when above provided, and neither the City 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 City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

(The remainder of this page left blank intentionally.)

BASIC DOCUMENTATION

REGISTRATION AGENT

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

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners 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 transfers and pledges between Direct Participants' accounts. This eliminates the need for physical

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

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

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

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

wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect 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 City 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 City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

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

with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

(a) an amount, which together with investment earnings thereon and other legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Bonds until and through the redemption date therefor shall be deposited with a financial institution acting as escrow agent under a refunding escrow agreement to be held in an Escrow Fund established thereunder to be held and applied as provided therein, including paying the redemption price of the Outstanding Bonds on the earliest optional redemption date; 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 City 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 or such notice); or

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

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City 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 City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

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

REMEDIES OF BONDHOLDERS

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

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City 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 City 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.

(The remainder of this page left blank intentionally.)

LEGAL MATTERS

LITIGATION

There are no claims against the City, including claims in litigation, which, in the opinion of the City, would have a material adverse effect on the City's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City 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 City 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 City 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 City has covenanted to do everything necessary to meet these requirements of the Code.

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

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

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also the section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

(The remainder of this page left blank intentionally.)

MISCELLANEOUS

RATING

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

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the ratings 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 will be offered for sale at competitive public bidding on July 19, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated July 12, 2017.

The successful bidder for the Bonds was an account led by _____, _____, _____ (the "Underwriters") who contracted with the City, 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 City 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 City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliated or constractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Finaincial Advisor as to its accuracy or completeness or otherwise. The Financial Advoisor is not a public accounting firm and has not been engaged by the City 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 City in other normal commercial banking capacities, it will be compensated separately for such services.

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

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

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

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

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

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

(The remainder of this page left blank intentionally.)

CONTINUING DISCLOSURE

The audit for the City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City and the Electric System by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2017 (the "Annual Reports"), 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 City. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the City 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 Reports 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. The City's Fiscal Year ending June 30, 2015 was late in being released, so the 2015 Annual Report was not filed until November 3, 2016. The required information under existing continuing disclosure agreements for 2015 also was not filed until November 23, 2016. Other than such information for 2015, all of the City's prior annual reports and required information were filed on time. While it is believed that all appropriate filings were made with respect to the ratings of the City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The City does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-7;

1. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-8 and B-9;

2. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-10;

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

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

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

7. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-19;

8. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-19; and

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

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City 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 City 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 City 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 City'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 City 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 City 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 City. 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 City 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 City 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 City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and 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 the PRELIMINARY OFFICIAL STATEMENT and 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 the PRELIMINARY OFFICIAL STATEMENT and 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 City 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 City has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

CERTIFICATION OF ISSUER

On behalf of the City, 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/_____
City Mayor

ATTEST:

/s/_____
City Recorder

APPENDIX A

FORM OF LEGAL OPINION

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

Ladies and Gentlemen:

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

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

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

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

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

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

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

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

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

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

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

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

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

Yours truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

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

GENERAL

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

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

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

TRANSPORTATION

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

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

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

EDUCATION

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

Source: Tennessee Department of Education.

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

Source: Carson-Newman College.

The Tennessee Technology Center at Morristown. The Tennessee Technology Center at Morristown is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Morristown serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. The Technology Center at Morristown main campus is located in Hamblen County. Fall 2014 enrollment was 950 students. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

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

HEALTHCARE

Jefferson Memorial Hospital was built in 2001 and is located in Jefferson City. It is part of the Tennova Healthcare system. A 58 bed, state-of-the-art medical facility, Jefferson Memorial serves people from Knoxville to Morristown with leading-edge technology. Providing comprehensive medical services, Jefferson Memorial offers equipment and physicians trained in specialty areas like oncology, obstetrics and orthopedics as well as extensive outpatient surgery capabilities and diagnostic testing. It employs over 760 physicians, nurses and associates.

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

POWER PRODUCTION

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

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

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

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

Major Employers in Jefferson County

Company	Product	Employees
Old Dominion Freight Co.	Trucking	1,120
Jefferson Memorial Hosp.	Healthcare	764
Jefferson County Schools*	School System	504
Bush Brothers	Canned Foods	500
Carson Newman College	Education	375
American Book Co.	Distribution	310
Nashua / Rittenhouse Paper Co.	Paper Rolls, Labels	302
Jefferson County Government	Government	300
Dillard Smith Construction	Power Line Construction	181
Clayton Homes	Manufactured Mobile Homes	159
Ball Corporation	Metal Food Containers	153
Matsuo Industries	Automotive Parts	148
Algoma Hardwood / Appalachian Door	Door Manufacturing	130
City of Jefferson City	Government	110
Schrader Trucking	Trucking	105
Klote International	Manufacturing	69
Smokey Mtn. Knife Works	Knives	65

* Only includes Teachers and Administrators

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

[balance of the page left blank]

EMPLOYMENT INFORMATION

For the month of February 2017, the unemployment rate for Jefferson County stood at 5.8% with 22,620 persons employed out of a labor force of 24,020.

The Morristown MSA's unemployment for February 2017 was at 5.5% with 48,370 persons employed out of a labor force of 51,200. As of February 2017, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 5.2%, representing 502,600 persons employed out of a workforce of 530,350.

Unemployment

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

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

[balance of the page left blank]

ECONOMIC DATA

Per Capita Personal Income

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

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

Social and Economic Characteristics

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

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

RECREATION

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

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

Source: Tennessee Valley Authority.

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

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

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

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

[balance of the page left blank]

CITY OF JEFFERSON CITY, TENNESSEE

SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)	Estimated As of June 30, 2017 (1) OUTSTANDING
$ 633,035	(2)	Tennessee Local Dev. Authority Loan	2019	Fixed	$ 63,826
1,353,800	(2)	Tennessee Local Dev. Authority Loan	2024	Fixed	514,116
1,300,000	(2)	Water and Sewer Notes, Series 1997 (TML)	2021	Variable	347,000
2,107,000	(2)	Water and Sewer Revenue and Tax Bond, Series 2002 (RDA)	2039	Fixed	1,532,314
5,000,000	(2)	Water and Sewer Revenue Bond (TLDA)	2031	Fixed	3,521,498
2,096,000	(2)	Water and Sewer Revenue and Tax Bond, Series 2011A (RDA)	2049	Fixed	1,946,098
1,050,000	(2)	Water and Sewer Revenue and Tax Bond, Series 2011B (RDA)	2049	Fixed	961,169
3,065,000	(2)	(Estimated)	2055	Fixed	3,022,569
4,127,000	(2)	Water and Sewer Revenue and Tax Bond, Series 2012B (RDA)	2054	Fixed	4,058,993
7,700,000		General Obligation Bonds, Series 2009	June 2035	Fixed	6,750,000
2,425,000		General Obligation Bonds, Series 2014	June 2038	Fixed	2,245,000
$ 30,856,835		**TOTAL BONDED DEBT**			$ 24,962,583
$ 6,775,000		General Obligation Refunding Bonds, Series 2017	June 2035	Fixed	$ 6,775,000
(6,260,000)		Less: Bonds Being Refunded (Series 2009 - 2020 to 2035)			(6,260,000)
(20,731,835)	(2)	Less: Revenue Supported Debt			(15,967,583)
$ 10,640,000		**NET BONDED DEBT**			$ 9,510,000

NOTES:

(1) The above figures do not include short-term notes or lease outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Assumes the full estimated amortization of the City's $3,065,000 Rural Development Bond.

(2) Payable from the Self-Supporting Enterprise Funds of the City.

CITY OF JEFFERSON CITY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The indebtedness 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. Property tax information is derived the City. The table does not include future funding plans whether disclosed or not in this document.

	For the Fiscal Year Ended June 30				Unaudited	After Issuance
INDEBTEDNESS	**2013**	**2014**	**2015**	**2016**	**2017**	**2017**
TAX SUPPORTED						
General Obligation Bonds & Notes	$7,600,000	$9,830,000	$9,575,000	$9,305,000	$8,995,000	$9,510,000
TOTAL TAX SUPPORTED	7,600,000	9,830,000	9,575,000	9,305,000	8,995,000	9,510,000
REVENUE SUPPORTED						
Water & Sewer	11,249,952	14,762,021	17,245,550	16,647,337	15,967,583	15,967,583
TOTAL REVENUE SUPPORTED	11,249,952	14,762,021	17,245,550	16,647,337	15,967,583	15,967,583
TOTAL DEBT	$18,849,952	$24,592,021	$26,820,550	$25,952,337	$24,962,583	$25,477,583
Less: Revenue Supported Debt	(11,249,952)	(14,762,021)	(17,245,550)	(16,647,337)	(15,967,583)	(15,967,583)
Less: Debt Service Fund	0	0	0	0	0	0
NET DIRECT DEBT	$7,600,000	$9,830,000	$9,575,000	$9,305,000	$8,995,000	$9,510,000
OVERLAPPING DEBT (1)	12,013,850	11,934,645	12,367,972	11,601,529	11,601,529	11,601,529
NET DIRECT & OVERLAPPING DEBT	$19,613,850	$21,764,645	$21,942,972	$20,906,529	$20,596,529	$21,111,529
PROPERTY TAX BASE						
Estimated Actual Value	$ 509,720,409	$ 511,046,550	$ 502,327,816	$ 534,052,386	$ 534,052,386	$ 534,052,386
Appraised Value	509,720,409	511,046,550	502,327,816	513,277,748	513,277,748	513,277,748
Assessed Value	164,601,148	163,361,035	164,740,096	168,241,383	168,241,383	168,241,383

(1) OVERLAPPING DEBT includes the City of Jefferson City's portion of Jefferson County debt.
(2) Solid Waste Debt is included with the General Obligation Debt.

DEBT RATIOS	For the Fiscal Year Ended June 30 2013	2014	2015	2016	Unaudited 2017	After Issuance 2017
TOTAL DEBT to Estimated Actual Value	3.70%	4.81%	5.34%	4.86%	4.67%	4.77%
TOTAL DEBT to Appraised Value	3.70%	4.81%	5.34%	5.06%	4.86%	4.96%
TOTAL DEBT to Assessed Value	11.45%	15.05%	16.28%	15.43%	14.84%	15.14%
NET DIRECT DEBT to Estimated Actual Value	1.49%	1.92%	1.91%	1.74%	1.68%	1.78%
NET DIRECT DEBT to Appraised Value	1.49%	1.92%	1.91%	1.81%	1.75%	1.85%
NET DIRECT DEBT to Assessed Value	4.62%	6.02%	5.81%	5.53%	5.35%	5.65%
OVERLAPPING DEBT to Estimated Actual Value	2.36%	2.34%	2.46%	2.17%	2.17%	2.17%
OVERLAPPING DEBT to Appraised value	2.36%	2.34%	2.46%	2.26%	2.26%	2.26%
OVERLAPPING DEBT to Assessed Value	7.30%	7.31%	7.51%	6.90%	6.90%	6.90%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	3.85%	4.26%	4.37%	3.91%	3.86%	3.95%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	3.85%	4.26%	4.37%	4.07%	4.01%	4.11%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	11.92%	13.32%	13.32%	12.43%	12.24%	12.55%
PER CAPITA RATIOS						
POPULATION (1)	8,195	8,370	8,504	8,504	8,504	8,504
PER CAPITA PERSONAL INCOME	$29,748	$30,875	$31,994	$31,994	$31,994	$31,994
Estimated Actual Value to POPULATION	62,199	61,057	59,070	62,800	62,800	62,800
Assessed Value to POPULATION	20,086	19,517	19,372	19,784	19,784	19,784
Total Debt to POPULATION	2,300	2,938	3,154	3,052	2,935	2,996
Net Direct Debt to POPULATION	927	1,174	1,126	1,094	1,058	1,118
Overlapping Debt to POPULATION	1,466	1,426	1,454	1,364	1,364	1,364
Net Direct & Overlapping Debt to POPULATION	2,393	2,600	2,580	2,458	2,422	2,483
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	7.73%	9.52%	9.86%	9.54%	9.17%	9.36%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.12%	3.80%	3.52%	3.42%	3.31%	3.50%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	4.93%	4.62%	4.55%	4.26%	4.26%	4.26%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	8.05%	8.42%	8.06%	7.68%	7.57%	7.76%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census and the Government of the City of Jefferson City, Tennessee.

CITY OF JEFFERSON CITY, TENNESSEE

Bonded Debt Service Requirements - General Obligation

As of June 30, 2016

F.Y. Ended 6/30	As of June 30, 2017 Existing Debt General Obligation (1) Principal	Interest	TOTAL	Less: Bonds Being Refunded Principal	Interest	TOTAL	General Obligation Refunding Bonds, Series 2017 Principal	Interest (2)	TOTAL	% 2017 Principal Repaid	Total Bonded Debt Service Requirements (1) Principal	Interest	TOTAL	% All Principal Repaid
2018	$ 320,000	$ 321,650	$ 641,650	$ -	$ (237,588)	$ (237,588)	$ 90,000	$ 122,914	$ 212,914	1.33%	$ 410,000	$ 206,976	$ 616,976	4.31%
2019	335,000	312,850	647,850	-	(237,588)	(237,588)	60,000	159,288	219,288		395,000	234,550	629,550	
2020	350,000	303,650	653,650	(265,000)	(237,588)	(502,588)	335,000	158,508	493,508		420,000	224,570	644,570	
2021	365,000	294,000	659,000	(280,000)	(229,638)	(509,638)	345,000	153,483	498,483		430,000	217,845	647,845	
2022	380,000	283,900	663,900	(290,000)	(221,238)	(511,238)	355,000	147,790	502,790	17.49%	445,000	210,453	655,453	22.08%
2023	395,000	272,113	667,113	(305,000)	(211,813)	(516,813)	365,000	141,578	506,578		455,000	201,878	656,878	
2024	410,000	259,838	669,838	(320,000)	(201,900)	(521,900)	375,000	134,460	509,460		465,000	192,398	657,398	
2025	435,000	247,075	682,075	(340,000)	(191,500)	(531,500)	385,000	126,585	511,585		480,000	182,160	662,160	
2026	450,000	233,106	683,106	(355,000)	(180,025)	(535,025)	395,000	118,308	513,308		490,000	171,389	661,389	
2027	470,000	218,188	688,188	(370,000)	(167,600)	(537,600)	405,000	109,223	514,223	45.90%	505,000	159,810	664,810	47.27%
2028	495,000	200,388	695,388	(390,000)	(152,800)	(542,800)	415,000	99,503	514,503		520,000	147,090	667,090	
2029	515,000	181,638	696,638	(410,000)	(137,200)	(547,200)	430,000	89,335	519,335		535,000	133,773	668,773	
2030	540,000	162,088	702,088	(430,000)	(120,800)	(550,800)	440,000	78,370	518,370		550,000	119,658	669,658	
2031	570,000	139,963	709,963	(455,000)	(102,525)	(557,525)	450,000	66,710	516,710		565,000	104,148	669,148	
2032	590,000	116,600	706,600	(475,000)	(83,188)	(558,188)	460,000	54,560	514,560	78.30%	575,000	87,973	662,973	76.13%
2033	620,000	92,388	712,388	(500,000)	(63,000)	(563,000)	475,000	41,910	516,910		595,000	71,298	666,298	
2034	650,000	68,188	718,188	(525,000)	(43,000)	(568,000)	490,000	28,610	518,610		615,000	53,798	668,798	
2035	680,000	42,813	722,813	(550,000)	(22,000)	(572,000)	505,000	14,645	519,645	100.00%	635,000	35,458	670,458	
2036	135,000	15,938	150,938	-	-	-	-	-	-		135,000	15,938	150,938	
2037	140,000	10,875	150,875	-	-	-	-	-	-		140,000	10,875	150,875	98.42%
2038	150,000	5,625	155,625	-	-	-	-	-	-		150,000	5,625	155,625	100.00%
	$ 8,995,000	**$ 3,782,869**	**$12,777,869**	**$ (6,260,000)**	**$ (2,840,988)**	**$ (9,100,988)**	**$ 6,775,000**	**$ 1,845,776**	**$ 8,620,776**		**$ 9,510,000**	**$ 2,787,658**	**$ 12,297,658**	

(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) Estimated Interest Rates. Estimated Average Coupon of 2.56%.

CITY OF JEFFERSON CITY, TENNESSEE

Bonded Debt Service Requirements - Revenue and Tax Backed
Water And Sewer System
As of June 30, 2017

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1) Principal	Interest (2)	TOTAL	% Principal Repaid
2018	$ 634,504	$ 421,108	$ 1,055,612	3.97%
2019	635,351	407,870	1,043,221	
2020	623,817	394,480	1,018,297	
2021	638,695	381,169	1,019,864	
2022	554,626	367,396	922,021	19.33%
2023	564,814	357,121	921,936	
2024	575,053	346,577	921,631	
2025	516,465	336,082	852,547	
2026	520,361	325,806	846,167	
2027	530,814	315,249	846,063	36.29%
2028	541,386	304,397	845,783	
2029	552,618	293,247	845,865	
2030	563,979	281,774	845,753	
2031	508,150	270,243	778,393	
2032	315,674	259,449	575,123	51.83%
2033	326,042	249,131	575,173	
2034	336,595	238,465	575,059	
2035	347,498	227,446	574,943	
2036	358,631	216,062	574,692	
2037	370,400	204,306	574,706	62.72%
2038	382,429	192,155	574,584	
2039	394,860	179,600	574,460	
2040	334,178	166,627	500,805	
2041	320,265	155,614	475,879	
2042	330,662	145,036	475,698	73.76%
2043	341,409	134,105	475,514	
2044	352,455	122,807	475,262	
2045	364,000	111,133	475,133	
2046	375,872	99,064	474,937	
2047	388,145	86,589	474,735	85.17%
2048	400,818	73,694	474,512	
2049	413,440	60,365	473,806	
2050	288,672	46,607	335,280	
2051	275,222	37,947	313,169	
2052	283,136	29,690	312,827	95.58%
2053	291,278	21,196	312,474	
2054	284,799	12,458	297,257	
2055	130,467	3,914	134,381	100.00%
	$ 15,967,583	$ 7,875,979	$ 23,843,561	

(1) The above figures do not include short-term notes or lease outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Assumes the full estimated amortization of the City's $3,065,000 Rural Development Bond.

FINANCIAL OPERATIONS

INTRODUCTION

As required by generally accepted accounting principles (GAAP), all City funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The City's financial reporting system is designed to provide timely, accurate feedback on the City's overall financial position and includes, at a minimum, quarterly reports to the City Commission. All City financial statements are audited annually by independent certified public accountants.

The City's General Purpose Financial Statements, which is an extract of the Comprehensive Annual Financial Report included herein.

BASIS OF ACCOUNTING AND PRESENTATION

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30				
Fund Type	**2012**	**2013**	**2014**	**2015**	**2016**
Governmental Funds:					
General	$4,999,107	$5,540,634	$6,504,561	$7,255,576	$8,016,717
Capital Projects	-	-	2,545,566	821,950	223,043
Other Governmental	176,698	207,808	184,146	254,113	273,048
Total	**$5,175,805**	**$5,748,442**	**$9,234,273**	**$8,331,639**	**$8,512,808**
Proprietary Net Assets:					
Enterprise Fund	$8,509,251	$9,702,662	$10,515,765	$11,673,365	$12,296,314

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

[balance of the page left blank]

CITY OF JEFFERSON CITY, TENNESSEE

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

	2012	2013	2014	2015	2016
Revenues:					
Taxes	$ 5,116,848	$ 5,041,916	$ 5,256,446	$ 5,646,872	$ 5,979,543
Licenses, Permits, Fines	39,026	35,432	35,456	47,434	35,321
Intergovernmental Rev.	815,194	894,479	1,035,354	1,018,565	1,252,064
Charges for Services	507,572	504,955	524,582	505,304	513,658
Fines, Forfeits and Penalties	166,404	165,493	176,168	180,850	180,173
Interest Income	10,780	11,526	10,938	-	-
Other Revenue	1,215,360	858,657	846,187	1,044,595	922,597
Total Revenues	$ 7,871,184	$ 7,512,458	$ 7,885,131	$ 8,443,620	$ 8,883,356
Expenditures:					
General government	$ 1,701,653	$ 1,760,367	$ 1,808,905	$ 2,070,169	$ 2,204,530
Public Safety	2,564,082	2,681,724	2,842,955	3,040,656	3,142,015
Public Works/Highways	627,789	673,155	613,214	872,401	785,665
Health & Welfare	78,156	26,257	25,923	26,343	26,150
Culture and Recreation	789,981	819,219	801,334	819,624	1,138,995
Capital Outlay	57,786	232,051	1,021,281	-	-
Total Expenditures	$ 5,819,447	$ 6,192,773	$ 7,113,612	$ 6,829,193	$ 7,297,355
Excess of Revenues Over (Under) Expenditures	$ 2,051,737	$ 1,319,685	$ 771,519	$ 1,614,427	$ 1,586,001
Other Financing Sources (Uses):					
Sale of Notes / Lease Proceeds	$ -	$ -	$ -	$ 77,542	$ 126,105
Other Financing Sources	28,322	15,085	753,025	9,039	36,175
Other Financing Uses	-	-	-	-	-
Insurance Recoveries	-	-	-	4,722	4,950
Transfers In	-	-	-	-	-
Transfers Out	(687,643)	(793,243)	(1,012,249)	(954,715)	(992,090)
Total	$ (659,321)	$ (778,158)	$ (259,224)	$ (863,412)	$ (824,860)
Special Items	-	-	451,632		
Excess of Revenues Over (Under) Expenditures & Other Uses	$ 1,392,416	$ 541,527	$ 963,927	$ 751,015	$ 761,141
Fund Balance July 1	3,606,691	4,999,107	5,540,634	6,504,561	7,255,576
Adjustments	-	-	-	-	-
Fund Balance June 30	**$ 4,999,107**	**$ 5,540,634**	**$ 6,504,561**	**$ 7,255,576**	**$ 8,016,717**

Source: Comprehensive Annual Financial Report for City of Jefferson City, Tennessee.

BUDGETARY PROCESS

The City Manager in a timely manner is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year which begins on the following July 1. A public hearing is conducted by the Board of Commissioners to obtain citizen comment on the proposed budget. Prior to June 30th, the budget must be adopted. All annual appropriations lapse at the end of the fiscal year.

Amendments which revise the total expenditures of any fund may occur at any time during the fiscal year. The City Manager may, on his own authority, transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Board of Commissioners.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The City is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater that two years without written permission of the State Director of Local Finance.

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 City. For reporting purposes, all investments are stated at cost, which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities *	$ 8,582,452	55%	$ 19,661,975
Commercial and Industrial	88,067,835	40%	229,967,754
Personal Tangible Property	18,499,996	30%	63,462,931
Residential and Farm	53,091,100	25%	220,959,726
Total	**$168,241,383**		**$534,052,386**

Source: 2016 Tax Aggregate Report of Tennessee and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2017 (tax year 2016) is $168,241,383 compared to $167,340,862 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is $534,052,386 compared to $509,535,913 for tax year 2015.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2012 through 2016[1] as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Year Collections		Aggregate Uncollected Balance	
Tax Year[1]	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2016 Amount	Pct
2012	$164,601,148	$0.94	$1,561,861	$1,440,819	92.3%	$ 13,827	0.9%
2013	164,352,576	0.94	1,563,086	1,482,599	94.9%	32,259	2.1%
2014	164,710,096	1.10	1,811,883	1,731,858	95.6%	56,080	3.1%
2015	167,340,862	1.15	1,902,010	1,786,540	93.9%	120,813	6.4%
2016	168,241,383	1.20	2,016,015	IN PROCESS			

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

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

	Taxpayer	Business Type	Assessment	Taxes Paid
1.	M Block & Sons	Industry	$ 6,111,040	$ 70,277
2.	Wal-Mart Supercenter	Retail	4,775,280	54,916
3.	Appalachian Electric Coop	Utility	4,019,666	46,226
4.	Matuso Industries, USA Inc.	Industry	3,782,910	43,503
5.	Cherokee Too Apartments	Rental	3,769,703	43,352
6.	Lowe's Home Centers, INC	Retail	3,456,558	39,750
7.	Chandler House	Healthcare	2,201,040	25,949
8.	Nashua	Industry	1,940,417	22,315
9.	Life Care Center	Healthcare	1,646,680	18,937
10.	Brown Trucking Company	Industry	1,618,893	18,617
	TOTAL		**$33,322,187**	**$383,842**

Source: The City.

PENSION PLANS

Employees of Jefferson City 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, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Jefferson City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

[balance of the page left blank]

APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

THE CITY OF JEFFERSON CITY, TENNESSEE

CITY OF JEFFERSON CITY, TENNESSEE

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

with
INDEPENDENT AUDITORS' REPORT

PREPARED BY:
JEFFERSON CITY, TENNESSEE CITY RECORDER'S OFFICE

CITY OF JEFFERSON CITY, TENNESSEE

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i – iv
List of Principal Officials	v
FINANCIAL SECTION	
Independent Auditor's Report	1 – 3
Required Supplementary Information:	
Management's Discussion and Analysis	4 – 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15 – 16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Budgetary Comparison Statement – General Fund	22
Statement of Net Position – Proprietary Fund – Water and Sewer Fund	23 – 24
Statement of Revenues, Expenses and Change in Net Position – Proprietary Fund – Water and Sewer Fund	25
Statement of Cash Flows – Proprietary Fund – Water and Sewer Fund	26
Notes to Basic Financial Statements	27 – 48
Required Supplementary Information:	
Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	49
Schedule of the City's Contributions Based on Participation in the Public Employee Pension Plan of TCRS	50
Notes to Required Supplementary Information	51
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	53

CITY OF JEFFERSON CITY, TENNESSEE

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (Continued)

	Page
Other Supplementary Information (Continued):	
Budgetary Comparison Statement – State Street Aid Fund	54
Budgetary Comparison Statement – Sanitation Fund	55
Budgetary Comparison Statement – Drug Fund	56
Budgetary Comparison Statement – Debt Service Fund	57
Budgetary Comparison Statement – Capital Project Fund	58
Budgetary Comparison Report – General Fund	59 – 74
Budgetary Comparison Statement – Water and Sewer Fund	75
Schedule of Operating Expenses – Water and Sewer Fund	76 – 78
Schedule of General Long-Term Debt Principal and Interest Requirements – Governmental Activities	79
Schedule of Long-Term Debt Principal and Interest Requirements – Business-Type Activities	80 – 81
Schedule of Water and Sewer Rates, Tap Fees and Number of Customers	82 – 83
Schedule of Changes in Property Taxes Receivable	84
Analysis of Tax Rates and Assessments	85
STATISTICAL SECTION	
Schedule of General Government Expenditures by Function	86
Schedule of General Government Revenues by Source	87
Property Tax Levies and Collections	88
Assessed and Estimated Actual Value of Property	89
Property Tax Rates – All Overlapping Governments	90
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	91
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	92
Revenue Bond Coverage	93
Demographic Statistics	94
Property Value and Construction	95
Schedule of Principal Taxpayers	96
Miscellaneous Statistics	97
AWWA Reporting Worksheet	98
AWWA System Attributes and Performance Indicators	99
INTERNAL CONTROL AND COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	100
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	101
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	102 – 103
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	104 – 105
Accompanying Schedule of Findings and Questioned Costs	106 – 107
Summary Schedule of Prior Audit Findings	108

INTRODUCTORY SECTION

Municipal Corporation of the
City of Jefferson City

112 City Center Drive
Phone (865) 475-9071
Fax (865) 475-8224

P.O. Box 530
Jefferson City, TN
37760

April 28, 2017

The Honorable Mayor and Members of City Council
City of Jefferson City
Jefferson City, Tennessee

The office of the City Recorder and City Manager of the City of Jefferson City, Tennessee is pleased to submit the Annual Financial Report for the Fiscal Year Ended June 30, 2016.

This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This report is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes this transmittal letter and a listing of the City Officials. The financial section includes a Management's Discussion and Analysis (MD&A), basic financial statements, and combining and individual fund statements and schedules, as well as the independent auditors' report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements and can be found immediately following the report of the independent auditors. The statistical section includes financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The Financial Section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional promulgations, as applicable.

THE REPORTING ENTITY AND ITS SERVICES

Location

The City of Jefferson City, Tennessee, with a population of 8,624, is located in the eastern region of the state, between two TVA reservoirs-Cherokee and Douglas Lakes. Carson-Newman University is located in the heart of the town. Jefferson City is only 25 miles from Knoxville and the University of Tennessee and 35 miles from Gatlinburg and the Great Smoky Mountain National Park. Jefferson City is accessible 7 miles via Interstate 40 and 12 miles via Interstate 81. Both U.S. Highway 11-E and State Highway 92 intersect through the center of town. It is 36 miles from McGhee-Tyson Airport and 7 miles from the Morristown Airport.

City Organization

The City was incorporated in 1901 and operates under a private act charter with the Council-Manager form of government. The City Council is comprised of the Mayor and four Council members, who enact laws, determine policies and adopt the annual budget. The City Manager is appointed by City Council and is responsible for the daily management of the City. The basic financial statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria no other governmental organizations are included in this report.

Financial Information

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City charter provides that the City Council shall adopt the annual budget prepared by the City Manager. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts among programs within a department; however, any provisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to the City Manager and the city department heads.

Individual line items are reviewed and analyzed for budgetary compliance. Capital assets are monitored and controlled item by item. Revenue budgets are reviewed monthly.

Fund Descriptions

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of the funds is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues, and, as applicable, expenditures and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The Funds used by the City are the following:

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

Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund – used to account for the accumulation of financial resources for payment of interest and principal on outstanding City debt.

Capital Project Fund – used to account for grants and bond proceeds restricted to the construction of the building to house the Jefferson City branch of the Jefferson County library system.

Proprietary Fund (Enterprise Fund) – used to account for ongoing activities that are similar to those in the private sector and fees are charged to external users for goods or services that the City provides.

The General Fund and the Capital Project Fund are the City's "major funds," as determined by a percentage of assets, liabilities, revenues, or expenditures/expenses in relation to the totals of all funds in those categories.

Risk Management

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance.

Risk control techniques have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under the control of the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis. The primary technique used in risk financing is the purchase of insurance policies from commercial insurers.

Independent Audit

The financial records, books of account, and the transactions of the City for the fiscal year ended June 30, 2016, have been audited by a firm of Independent Certified Public Accountants, and their opinion is included in the Financial Section of this report.

The financial statements are the responsibility of the City. The responsibility of the Independent Certified Public Accountants is to express an opinion on the City's financial statements based on their audit. An audit is conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

Acknowledgments

The preparation of this report could not have been accomplished without the services of the entire staff of the City Recorder and the Water Department. Appreciation is expressed to those employees who were instrumental in the successful completion of this report. These individuals are:

Bettina Chandler	Holly Cox	Cathy Raley
Jill Molzon	Kim Carmichael	
Mike Jones	Paul Johnson	

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

John B. Johnson, City Manager

Monica Myers, City Recorder

CITY OF JEFFERSON CITY, TENNESSEE

LIST OF PRINCIPAL OFFICIALS

June 30, 2016

CITY COUNCIL – ELECTED

Mark Potts, Mayor
Mitch Cain, Vice-Mayor
Kevin Bunch
Ann Cole
Dennis "Rocky" Melton

CITY MANAGER – APPOINTED

John B. Johnson

CITY RECORDER – APPOINTED

Monica Myers

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601
www.bjmpc.com

JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Mayor and City Council
City of Jefferson City, Tennessee
Jefferson City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jefferson City, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Jefferson City, Tennessee'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

□ □ □

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the City of Jefferson City, Tennessee as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the required supplementary information on pages 49 through 51 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jefferson City, Tennessee's basic financial statements. The introductory section, other supplementary information in the financial section, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information in the financial section is the responsibility of management and was derived from and relates 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 other supplementary information in the financial section is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 28, 2017, on our consideration of the City of Jefferson City, Tennessee'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 financing 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 City of Jefferson City, Tennessee's internal control over financial reporting and compliance.

Brown Jake & McDaniel, PC

Knoxville, Tennessee
April 28, 2017

CITY OF JEFFERSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016
(Unaudited)

Our discussion and analysis of the City of Jefferson City, Tennessee's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter beginning on page i and the City's basic financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

The City's net position increased by $1,446,280 for the fiscal year ended June 30, 2016. Net position from governmental activities increased by $823,331 or 6.2%; net position of our business-type activities increased by $622,949 or 5.3%.

During the fiscal year ended June 30, 2016, the City's total governmental activities revenues generated through taxes, charges for services and grants and contributions exceeded expenses by $823,331. For the preceding year, the governmental activities' revenues exceeded expenditures by $1,805,789. The majority of the change was a result of increased local sales tax and liquor tax revenues, and capital grants and contributions.

For the City's only business-type activity, the water and sewer fund, revenues exceeded expenses by $622,949 for the fiscal year ended June 30, 2016, as compared to $1,262,330 for the previous year. The operating income for the fiscal year ended June 30, 2016 and June 30, 2015 for the water and sewer fund was $839,719 and $1,031,369, respectively.

The assets of the City plus deferred outflows of resources less liabilities and deferred inflows of resources equaled net position of $26,357,184 at the close of fiscal year 2016. Of this amount, $11,477,125 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The total cost of all of the City's programs increased by $1,365,701 or 12.6%.

The resources available for appropriation were $486,176 greater than budgeted for the general fund primarily due to receiving more in tax revenue than budgeted. On the expenditure side, the City's management continued to stress controlling costs, and the actual expenditures for the general fund were less than the budgeted amounts by $953,760.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information and other supplemental and statistical information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. They are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during fiscal year 2016. All changes in net position are reported as soon as the underlying event, giving rise to the change, occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works/highways and streets, sanitation, health/welfare/social services, culture and recreation and drug investigation and control. The City has only one business-type activity, the water and sewer fund. The government-wide financial statements can be found immediately following this Management's Discussion and Analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, the City establishes other funds to help it control and manage money

for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental and proprietary - which use different accounting approaches.

Governmental Funds

Governmental funds are used to account for the City's basic services and functions referred to above. The focus of governmental funds is on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.

The City's governmental funds include the general fund, state street aid fund, sanitation fund, drug fund, capital project fund and the debt service fund. The general fund and the capital project fund are the City's major governmental funds as determined by a percentage of assets, liabilities, revenues, or expenditures/expenses in relation to the totals of all funds in those categories. All other governmental funds are combined in one column in the balance sheet and statement of revenues, expenditures, and changes in fund balances for governmental funds. Budgetary comparison statements for the City's general fund and capital project fund are also provided as part of the City's basic financial statements. Individual fund data for each of the nonmajor governmental funds is provided in the supplemental information section of the financial report.

The City adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements for all governmental funds, and a detailed budgetary comparison report for the general fund have been provided to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Proprietary Funds

The City maintains one proprietary fund type, an enterprise fund (water and sewer fund) which is used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only providing more detail and additional information, such as cash flows. The basic proprietary fund financial statements follow the governmental fund financial statements in this annual financial report. The City adopts an annual budget for the water and sewer fund. A budgetary comparison statement and a budgetary comparison schedule of operating expenses have been provided for the water-sewer fund in this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found after the proprietary fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents information concerning the City's pension benefits provided to its employees. Required supplementary information can be found following the notes to the financial statements.

The combining statements for the nonmajor governmental funds, budgetary comparison statements for each of the governmental funds and the water and sewer fund, schedule of expenditures of federal awards and other schedules and statistical information are presented in the supplemental information section of this report. This supplemental information can be found after the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At June 30, 2016 and 2015, the City of Jefferson City's net position was as follows:

	Governmental-Type Activities		Business-Type Activities	
ASSETS	2016	2015	2016	2015
Current and other assets	$ 11,480,854	$ 11,369,971	$ 3,861,426	$ 3,052,196
Capital assets	15,137,477	15,333,709	23,080,034	21,146,415
Total assets	26,618,331	26,703,680	26,941,460	24,198,611
DEFERRED OUTFLOWS				
Deferred outflows	500,650	468,646	104,689	109,993
LIABILITIES				
Long-term liabilities	10,127,055	10,468,214	14,504,662	11,690,794
Other liabilities	362,631	368,429	125,242	681,656
Total liabilities	10,489,686	10,836,643	14,629,904	12,372,450
DEFERRED INFLOWS				
Deferred inflows	2,568,425	3,098,144	119,931	262,789
NET POSITION				
Net investment in capital assets	5,185,490	5,018,803	8,624,348	9,465,467
Restricted	805,273	1,642,441	264,948	333,420
Unrestricted	8,070,107	6,576,295	3,407,018	1,874,478
Total net position	$ 14,060,870	$ 13,237,539	$ 12,296,314	$ 11,673,365

Net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by $26,357,184 at the close of the fiscal year ended June 30, 2016. At the end of fiscal year 2016, the City has positive balances in all categories of net positions, both for the government as a whole, as well as for its separate governmental and business-type activities.

The largest portion of the City's net position reflects its net investment in capital assets, less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its

capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position for governmental activities represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position for governmental activities $8,070,107 may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of the water and sewer fund at the end of the year is $3,407,018.

Following is a condensed financial comparison of revenues and expenses for the governmental and business-type activities for the fiscal years ended June 30, 2016 and 2015:

	Governmental-Type Activities		Business-Type Activities	
Revenues	2016	2015	2016	2015
Program revenues				
Charges for services	$ 1,162,804	$ 1,158,017	$ 3,915,243	$ 4,015,806
Operating grants and contributions	438,440	444,825	-	-
Capital grants and contributions	246,506	319,542	-	408,868
General revenues				
Sales taxes	3,270,351	3,175,065	-	-
Property taxes	1,957,891	1,836,052	-	-
Other	2,574,527	2,472,610	62,400	53,515
Total revenues	9,650,519	9,406,111	3,977,643	4,478,189
Expenses				
General government	2,193,423	1,874,045	-	-
Public safety	3,108,288	3,036,048	-	-
Public works/highways and streets	909,385	892,742	-	-
Sanitation	564,078	556,911	-	-
Health, welfare and social services	26,150	26,343	-	-
Culture and recreation	1,650,448	854,600	-	-
Drug investigation and control	29,162	11,356	-	-
Interest on long-term debt	346,254	348,277	-	-
Water and Sewer utility	-	-	3,354,694	3,215,859
Total expenses	8,827,188	7,600,322	3,354,694	3,215,859
Change in net position	823,331	1,805,789	622,949	1,262,330
Net position - beginning	13,237,539	11,431,750	11,673,365	10,411,035
Net position - ending	$ 14,060,870	$ 13,237,539	$ 12,296,314	$ 11,673,365

Major differences in revenues and expenses are explained as follows:

Governmental Activities

Revenues increased primarily due to an increase in property taxes, due to a rate increase, local sales tax and liquor tax which was collected for an entire year, and grants and contributions. Expenses remained relatively flat.

Accordingly, the change in net position of approximately $800,000 is $1,000,000 less than the change in the prior year.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenue categories reported for each function are:

General government – e.g., licenses and permits, charges for services, fines and forfeits	*$539,657*
Public safety – e.g., fire protection fees, accident reports, and operating grants	*$ 82,844*
Public Works – e.g., highway and street charges, capital and operating grants	*$371,731*
Sanitation	*$407,832*
Culture and recreation – e.g., recreation service fees and grants	*$408,438*
Drug investigation and control – e.g., fines	*$ 37,248*

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-type Activities

The City's water and sewer fund increased the City's net assets by $622,949 for the fiscal year ended June 30, 2016. Water and sewer rates remained unchanged for the year ended June 30, 2016.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Jefferson City's governmental funds reported combined ending unassigned fund balances of $6,075,553.

In the general fund, the City budgeted for a decrease in the fund balance on a budget basis of $594,380. The actual (budgetary basis) increase was $768,141.

Total general fund actual (budgetary basis) revenue amounts were more than budgeted revenues by $486,176. The majority of this difference was due to tax revenues exceeding the budgeted amount by approximately $350,000.

The general fund's actual (budgetary basis) expenditures were $953,760 less than budgeted amounts. This difference was spread over all of the City's functional areas as follows:

General Government	*$433,200*
Public Safety	*$ 70,300*
Public Works	*$350,205*
Health, Welfare and Social Services	*$ 390*
Culture and Recreation	*$ 99,665*

The capital project fund of the City, which is used to account for the construction of the new library, had an actual decrease in fund balance that was approximately $5,600 more than the budgeted amount.

The City's state street aid fund's actual amounts showed a decrease of revenues over expenditures in the amount of $24,584; and the budgeted amount was a decrease of $40,760. The difference was primarily due to a decrease in roads and street expenditures in the state street aid fund.

The sanitation fund budget showed no change in fund balance. The actual results showed an increase in the amount of $16,321.

Unrestricted net position of the City's water and sewer fund totaled $3,407,018 at June 30, 2016.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to $38,217,511 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress.

Under the Governmental Accounting Standards Board Statement No. 34, governments were required to report infrastructure assets (roads, bridges, etc.) as capital assets and depreciate them. This requirement was to be implemented

in phases by governments, depending on the government's size. Smaller governments, like the City, had the option of retroactively reporting its infrastructure assets or only reporting prospectively, from this point forward. The City decided to prospectively report its infrastructure assets meaning all infrastructure acquired during the fiscal year ended June 30, 2004 and forward is now shown as capital assets.

The capital asset additions in the governmental activities during the fiscal year ended June 30, 2016 include construction of a building to house the Jefferson City branch of the Jefferson County Library System, paving projects, sidewalk construction, and traffic signal improvements.

The water and sewer fund construction in progress included several projects as of June 30, 2016, including water tank improvements, water distribution system improvements, and sewer system rehabilitation.

Capital assets of Jefferson City at June 30, 2016 were:

	Governmental Activities	Business-type Activities	Total
Land	$ 2,014,376	$ 245,317	$ 2,259,693
Construction in Progress	224,664	4,817,372	5,042,036
Buidings and Improvements	16,442,444	28,215,846	44,658,290
Machinery and Equipment	4,375,738	1,118,311	5,494,049
Less: Accumuated Depreciation	(7,919,745)	(11,316,812)	(19,236,557)
Capital Assets, Net	$ 15,137,477	$ 23,080,034	$ 38,217,511

Additional information on the City's capital assets can be found in Note N in this report.

DEBT ADMINISTRATION

At June 30, 2016, the City had a total bonded debt, notes payable, and capital lease obligations of $24,352,885. Of this amount, $9,305,000 comprises bonded debt backed by the full faith and credit of the City, $14,461,902 represents notes secured by water and sewer revenues, as well as the full faith and credit of the City and $585,983 represents capital lease obligations of the governmental activities.

Outstanding Debt at June 30, 2016
Bonds and Notes Payable and Capital Lease Obligations

	Governmental Activities	Business-type Activities	Total
Bonds Payable	$ 9,305,000	$ -	$ 9,305,000
Notes Payable	-	14,461,902	14,461,902
Capital Lease Obligations	585,983	-	585,983
Total	$ 9,890,983	$ 14,461,902	$ 24,352,885

The City incurred a $126,105 capital lease obligation for governmental activities during the fiscal year ended June 30, 2016. The water and sewer fund drew down additional funds on previously authorized notes payable in the amount of $3,410,301 for the fiscal year ended June 30, 2016.

Additional information of the City of Jefferson City's long-term debt can be found in Note P of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund Revenues for the year ended June 30, 2017 are budgeted to increase by approximately $649,460 as compared to the final 2016 budget amounts. Major line item increases/decreases (approximate amounts) include:

- *Increase in property tax revenue - $20,000*
- *Increase in operating transfer from Capital Project Fund - $209,000*
- *Increase in charges for services - $271,800*
- *Increase in contributions - $100,000*
- *Increases in police fines - $20,000*

General Fund Expenses (excluding transfers out) for the year ended June 30, 2017 are budgeted to increase by approximately $1,050,000, or 14.00% as compared to the 2016 budget amounts. Major line item increases/decreases (approximate amounts) include:

- *Increase in general government, legislative, legal expenses - $84,000*
- *Increase in police department - $200,000*
- *Increase in police Carson Newman patrol - $279,510*
- *Increase in fire protection and control - $50,100*
- *Decrease in highway and street projects - $193,000*
- *Increase in recreation improvements - $21,000*

In addition, transfers from the general fund to the debt service fund for the year ended June 30, 2017 are scheduled to be $950,000, which includes the city center ($489,190), the police vehicle capital leases ($116,750), the fire department capital leases ($146,830), the street department ($46,530), and the library ($150,970).

The 2017 budget for the Sanitation Fund shows a minimal decrease in anticipated revenues from charges for services in the amount of $5,000. Budgeted transfers from the general fund to cover sanitation fund expenses for 2017 show an increase in the amount of $4,000. Budgeted expenditures for fiscal 2017 are up by approximately $10,000.

State Street Aid Fund for the year ended June 30, 2017 shows a minimal increase in budgeted revenues as compared to the 2016 budget in the amount of $10,000 due to anticipated increases in the state gasoline and motor fuel tax. Budgeted expenditures for 2017 are $10,000 less than the 2016 budgeted amount, due to street paving.

The Drug Fund's budgeted revenues for 2017 shows a $30,000 increase in Drug Fines and $30,000 for sale of confiscated vehicles from 2016. Expenditures are budgeted to decrease in the amount of $10,000 due to not purchasing a vehicle.

The Capital Projects Fund has no additional budgeted revenues for the fiscal year 2017. The construction of the Library is expected to be complete.

The City's debt service fund shows budgeted expenditures for 2017 totaling $950,090; these expenditures represent principal and interest payments on the city center complex, on the new library, and on vehicles for the police and fire department and street department.

The Water/Sewer Fund budget for revenues shows a decrease of approximately $200,000. The majority of this decrease is attributable to a decrease in wholesale water sales, which was offset by an increase in water/sewer rates as compared to fiscal year 2016. The budget for expenditures shows an increase of $150,000 due to electric, overtime and water line extension costs, for the 2017 fiscal year.

The property tax rate for the fiscal year ended June 30, 2017 is $1.20 per $100 of assessed valuation.

REQUESTS FOR INFORMATION

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the City Recorder's Office, 112 City Center Drive, Jefferson City, Tennessee 37760.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements
    - Governmental funds
    - Budgetary Comparison Statement – General Fund
    - Proprietary (enterprise) fund – Water and Sewer Fund

In addition, the notes to basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 7,872,678	$ 2,975,103	$ 10,847,781
Receivables, net			
Property taxes	2,257,869	-	2,257,869
Customer accounts	-	635,144	635,144
Other	110,470	-	110,470
Due from other governments	364,464	-	364,464
Internal balances	20,209	(20,209)	-
Prepayments	47,624	6,440	54,064
Restricted assets - cash and investments	391,898	176,891	568,789
Net pension asset	415,642	88,057	503,699
Subtotal	11,480,854	3,861,426	15,342,280
Capital assets:			
Land and construction in progress	2,239,040	5,062,689	7,301,729
Other capital assets, net of depreciation	12,898,437	18,017,345	30,915,782
Total capital assets	15,137,477	23,080,034	38,217,511
TOTAL ASSETS	26,618,331	26,941,460	53,559,791
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions made after the net pension asset measurement date	497,751	104,689	602,440
Change in proportionate share	2,899	-	2,899
TOTAL DEFERRED OUTFLOWS OF RESOURCES	500,650	104,689	605,339

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

STATEMENT OF NET POSITION
(Continued)

June 30, 2016

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	$ 151,686	$ 36,595	$ 188,281
Accrued liabilities	15,995	3,802	19,797
Accrued interest	35,793	25,231	61,024
Accrued payroll	118,126	25,725	143,851
Due to other governments	38,532	22,011	60,543
Unearned revenue - drug fund	2,499	-	2,499
Customer deposits	-	11,878	11,878
Long-term liabilities:			
Due within one year:			
Compensated absences	165,000	33,000	198,000
Bonds and notes payable	526,543	650,470	1,177,013
Due in more than one year:			
Compensated absences	10,068	15,976	26,044
Bonds and notes payable	9,425,444	13,805,216	23,230,660
TOTAL LIABILITIES	10,489,686	14,629,904	25,119,590
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	2,016,015	-	2,016,015
Differences between projected and actual pension plan actuarial experience	430,368	91,177	521,545
Differences between projected and actual earnings on pension plan investments	122,042	25,855	147,897
Change in proportionate share	-	2,899	2,899
TOTAL DEFERRED INFLOWS OF RESOURCES	2,568,425	119,931	2,688,356
NET POSITION			
Net investment in capital assets	5,185,490	8,624,348	13,809,838
Restricted for:			
Debt service	-	176,891	176,891
Street operations, maintenance, and projects	81,725	-	81,725
Drug enforcement	84,863	-	84,863
Capital projects	223,043	-	223,043
Pensions	415,642	88,057	503,699
Unrestricted	8,070,107	3,407,018	11,477,125
TOTAL NET POSITION	$ 14,060,870	$ 12,296,314	$ 26,357,184

The accompanying notes to basic financial statements
are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 2,193,423	$ 417,627	$ 122,030	$ -	$ (1,653,766)	$ -	$ (1,653,766)
Public safety	3,108,288	14,294	68,550	-	(3,025,444)	-	(3,025,444)
Public works/highways and streets	909,385	98,733	247,860	25,138	(537,654)	-	(537,654)
Sanitation	564,078	407,832	-	-	(156,246)	-	(156,246)
Health, welfare and social services	26,150	-	-	-	(26,150)	-	(26,150)
Culture and recreation	1,650,448	187,070	-	221,368	(1,242,010)	-	(1,242,010)
Drug investigation and control	29,162	37,248	-	-	8,086	-	8,086
Debt service	346,254	-	-	-	(346,254)	-	(346,254)
Total governmental activities	8,827,188	1,162,804	438,440	246,506	(6,979,438)	-	(6,979,438)
Business-type activities:							
Water and sewer	3,354,694	3,915,243	-	-	-	560,549	560,549
Total government	$ 12,181,882	$ 5,078,047	$ 438,440	$ 246,506	(6,979,438)	560,549	(6,418,889)
General revenues:							
Local sales tax - county trustee					3,270,351	-	3,270,351
Real and personal property taxes					1,957,891	-	1,957,891
State sales tax					683,107	-	683,107
Wholesale beer and liquor taxes					481,523	-	481,523
Business taxes					239,182	-	239,182
Other taxes					169,671	-	169,671
Hospital lease payments					750,000	-	750,000
Miscellaneous					245,377	62,400	307,777
Gain on sale of equipment					5,667	-	5,667
Total general revenues					7,802,769	62,400	7,865,169
Change in net position					823,331	622,949	1,446,280
Net position - beginning					13,237,539	11,673,365	24,910,904
Net position - ending					$ 14,060,870	$ 12,296,314	$ 26,357,184

The accompanying notes to basic financial statements are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 7,783,390	$ -	$ 89,288	$ 7,872,678
Receivables (net of allowance for uncollectible accounts):				
Property taxes	2,048,318	-	-	2,048,318
Other	110,470	-	-	110,470
Due from other governments	364,464	-	-	364,464
Due from other funds	-	-	20,441	20,441
Prepayments	45,904	-	1,720	47,624
Restricted assets - cash and investments	-	223,043	168,855	391,898
TOTAL ASSETS	$ 10,352,546	$ 223,043	$ 280,304	$ 10,855,893
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 151,294	$ -	$ 392	$ 151,686
Accrued liabilities	15,298	-	697	15,995
Accrued payroll	115,347	-	2,779	118,126
Due to other governments	37,643	-	889	38,532
Due to other funds	232	-	-	232
Unearned revenue	-	-	2,499	2,499
Total liabilities	319,814	-	7,256	327,070
Deferred inflows of resources:				
Unearned revenue - property taxes	2,016,015	-	-	2,016,015
Fund balances:				
Nonspendable	45,904	-	1,720	47,624
Restricted	-	223,043	166,588	389,631
Committed	2,000,000	-	-	2,000,000
Unassigned	5,970,813	-	104,740	6,075,553
Total fund balances	8,016,717	223,043	273,048	8,512,808
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 10,352,546	$ 223,043	$ 280,304	$ 10,855,893

The accompanying notes to basic financial statements are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2016

Total fund balances of governmental funds		$ 8,512,808
Amounts reported for governmental activities in the statements of net position are different because:		
Revenues are deferred in governmental funds when both the measurable and available criteria are not met under the modified accrual basis of accounting. Under the full accrual basis of accounting these revenues would be recognized when earned regardless of when they are received. In the statement of net position, management has estimated an allowance for doubtful accounts related to property taxes to be $10,000 rather than the $219,551 reported in the balance sheet of governmental funds.		209,551
The net pension asset is not an available resource and, therefore, is not reported in the funds.		415,642
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets at June 30, 2016 was $23,057,222 and the accumulated depreciation was $7,919,745.		15,137,477
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds but is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at June 30, 2016 consisted of:		
Bonds and notes payable	$ 9,951,987	
Compensated absences	175,068	(10,127,055)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in balance sheet of governmental funds.		(35,793)
Certain deferred outflows of resources and deferred inflows of resources are not available resources and, therefore, are not reported in the funds:		
Net pension asset		
Pension contributions made after the net pension liability measurement date	$ 497,751	
Change in proportionate share	2,899	
Differences between projected and actual pension plan actuarial experience	(430,368)	
Differences between projected and actual earnings on pension plan investments	(122,042)	(51,760)
Total net position of governmental activities		$ 14,060,870

The accompanying notes to basic financial statements
are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2016

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 5,979,543	$ -	$ -	$ 5,979,543
Licenses and permits	35,321	-	-	35,321
Intergovernmental revenue	1,252,064	-	232,026	1,484,090
Charges for services	513,658	-	407,832	921,490
Fines and forfeits	180,173	-	25,821	205,994
Other income	922,597	862	30,740	954,199
Total revenues	8,883,356	862	696,419	9,580,637
Expenditures:				
Current:				
General government	2,204,530	-	-	2,204,530
Public safety	3,142,015	-	-	3,142,015
Public works/highways and streets	785,665	-	256,811	1,042,476
Sanitation	-	-	548,571	548,571
Health, welfare and social services	26,150	-	-	26,150
Culture and recreation	1,138,995	-	-	1,138,995
Drug investigation and control	-	-	29,162	29,162
Debt service:				
Principal retirement	-	-	484,815	484,815
Interest and fiscal charges	-	-	350,215	350,215
Capital outlay	-	599,769	-	599,769
Total expenditures	7,297,355	599,769	1,669,574	9,566,698
Excess (deficiency) of revenues over (under) expenditures	1,586,001	(598,907)	(973,155)	13,939
Other financing sources (uses)				
Transfers in	-	-	992,090	992,090
Transfers out	(992,090)	-	-	(992,090)
Capital lease proceeds	126,105	-	-	126,105
Insurance recoveries	4,950	-	-	4,950
Other financing sources	36,175	-	-	36,175
Total other financing sources (uses)	(824,860)	-	992,090	167,230
Net change in fund balances	761,141	(598,907)	18,935	181,169
Fund balances - beginning	7,255,576	821,950	254,113	8,331,639
Fund balances - ending	$ 8,016,717	$ 223,043	$ 273,048	$ 8,512,808

The accompanying notes to basic financial statements
are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2016

Net change in fund balances - governmental funds	$ 181,169
Revenues in the statement of activities are presented on the accrual basis of accounting, when they are earned and measurable. Under the modified accrual basis of accounting used in governmental funds, revenues are recognized when they are earned, measurable and available. Therefore, revenues that do not provide current financial resources are not reported as revenues in governmental funds.	61,892
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays for the fiscal year ended June 30, 2016.	(163,099)
Proceeds from the sale of capital assets is revenue in the governmental funds, but the net book value of the asset sold is removed from capital assets in the statement of net position and offset against the proceeds resulting in a gain (loss) on disposal of capital assets in the statement of activities.	(33,133)
The present value of minimum lease payments under capital leases provide current current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(126,105)
The repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The following are the principal payments made on outstanding bonds, notes and capital lease obligations.	484,812
Bond premiums are amortized as interest income over the life of the debt in the statement of activities.	4,212
Compensated absences are reported as expenditures in the statement of activities; however, the expense is not reported in the governmental funds. The following amount represents the increase in compensated absences expense during the fiscal year.	(21,760)
Under the modified accrual basis of accounting used in governmental funds. Expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, under the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(248)
In the governmental funds, pension contributions are reported as an expenditure when they are due and payable. However, in the statement of activities, pension expense consists of reporting certain changes in the net pension liability (asset) of the government.	435,591
Change in net position - governmental activities	$ 823,331

The accompanying notes to basic financial statements are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON STATEMENT - GENERAL FUND

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Revenues:						
Taxes	$ 5,183,000	$ 5,632,280	$ 5,979,543	$ -	$ 5,979,543	$ 347,263
Licenses and permits	33,250	34,200	35,321	-	35,321	1,121
Intergovernmental revenues	834,900	1,121,840	1,252,064	-	1,252,064	130,224
Charges for services	513,140	515,470	513,658	-	513,658	(1,812)
Fines and forfeits	175,050	190,450	180,173	-	180,173	(10,277)
Other income	865,100	902,940	922,597	-	922,597	19,657
Total revenues	7,604,440	8,397,180	8,883,356	-	8,883,356	486,176
Expenditures:						
Current:						
General government	2,158,260	2,637,730	2,204,530	-	2,204,530	433,200
Public safety	3,171,580	3,204,940	3,142,015	(7,375)	3,134,640	70,300
Public works/highways and streets	1,294,540	1,135,870	785,665	-	785,665	350,205
Health, welfare and social services	26,540	26,540	26,150	-	26,150	390
Culture and recreation	1,211,140	1,238,660	1,138,995	-	1,138,995	99,665
Total expenditures	7,862,060	8,243,740	7,297,355	(7,375)	7,289,980	953,760
Revenues over (under) expenditures	(257,620)	153,440	1,586,001	7,375	1,593,376	1,439,936
Other financing sources (uses):						
Transfers out	(990,240)	(992,140)	(992,090)	-	(992,090)	50
Capital lease proceeds	335,000	203,370	126,105	-	126,105	(77,265)
Insurance recoveries	-	4,950	4,950	-	4,950	-
Other financing sources	6,000	36,000	36,175	-	36,175	175
Total other financing sources (uses)	(649,240)	(747,820)	(824,860)	-	(824,860)	(77,040)
Net change in fund balance	(906,860)	(594,380)	761,141	7,375	768,516	1,362,896
Fund balance - beginning	7,248,201	7,248,201	7,255,576	(7,375)	7,248,201	-
Fund balance - ending	$ 6,341,341	$ 6,653,821	$ 8,016,717	$ -	$ 8,016,717	$ 1,362,896

The accompanying notes to basic financial statements
are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE - WATER AND SEWER FUND

June 30, 2016

ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,975,103
Receivables - customer accounts (net)	635,144
Prepayments	6,440
Restricted assets - cash and investments	176,891
Total current assets	3,793,578
Noncurrent assets:	
Net pension asset	88,057
Capital assets	
Land and construction in progress	5,062,689
Other capital assets, net of depreciation	18,017,345
Total noncurrent assets	23,168,091
Total assets	26,961,669
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions made after the net pension asset measurement date	104,689
Total deferred outflows of resources	104,689

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE - WATER AND SEWER FUND
(Continued)

June 30, 2016

LIABILITIES	
Current liabilities:	
Accounts payable	$ 36,595
Accrued expenses	3,802
Accrued interest	25,231
Accrued payroll	25,725
Due to other governments	22,011
Due to other funds	20,209
Compensated absences	33,000
Bonds and notes payable	650,470
Total current liabilities	817,043
Noncurrent liabilities	
Customer deposits	11,878
Compensated absences	15,976
Bonds and notes payable	13,805,216
Total noncurrent liabilities	13,833,070
Total liabilities	14,650,113
DEFERRED INFLOWS OF RESOURCES	
Differences between projected and actual pension plan actuarial experience	91,177
Differences between projected and actual earnings on pension plan investments	25,855
Change in proportionate share	2,899
Total deferred inflows of resources	119,931
NET POSITION	
Net investment in capital assets	8,624,348
Restricted for debt service	176,891
Restricted for pensions	88,057
Unrestricted	3,407,018
Total net position	$ 12,296,314

The accompanying notes to basic financial statements
are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE - WATER AND SEWER FUND

Fiscal Year Ended June 30, 2016

Operating revenues:	
Charges for services	$ 3,915,243
Miscellaneous	53,186
Total operating revenues	3,968,429
Operating expenses:	
Administrative and general	775,083
Customer accounting and collecting	76,225
Purification and disposal	969,686
Transmission and collection	562,983
Shop and maintenance	18,401
Depreciation	726,332
Total operating expenses	3,128,710
Operating Income	839,719
Non-operating revenues (expenses):	
Interest earned	9,214
Interest expense	(225,984)
Total non-operating revenues (expenses)	(216,770)
Change in net position	622,949
Net position - beginning	11,673,365
Net position - ending	$ 12,296,314

The accompanying notes to basic financial statements
are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - WATER AND SEWER FUND

Fiscal Year Ended June 30, 2016

Cash flows from operating activities:	
Receipts from customers	$ 3,989,844
Payments to suppliers	(2,296,617)
Payments to employees	(742,892)
Net cash provided by operating activities	950,335
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(2,659,951)
Proceeds from new debt	3,410,301
Principal payments on long-term debt and capital lease obligations	(598,213)
Interest paid on debt, net of interest capitalized	(222,627)
Net cash used by capital and related financing activities	(70,490)
Cash flows from investing activities:	
Interest earned on short-term investments	9,214
Net change in due from (to) other funds	3,460
Net cash provided by investing activities	12,674
Net increase in cash and cash equivalents	892,519
Cash and cash equivalents - beginning	2,259,475
Cash and cash equivalents - ending	$ 3,151,994
Cash and cash equivalents - unrestricted	$ 2,975,103
Cash and cash equivalents - restricted	176,891
Cash and cash equivalents - ending	$ 3,151,994
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 839,719
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	726,332
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	21,585
Prepayments	(3,690)
Net pension asset	56,017
Deferred outflows related to pension	(5,403)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	(566,518)
Accrued expenses	(383)
Accrued payroll	9,660
Amount due other governments	997
Amount due to other funds	5,917
Customer deposits	(170)
Compensated absences	9,130
Deferred inflows related to pension	(142,858)
Net cash provided by operating activities	$ 950,335

The accompanying notes to basic financial statements
are an integral part of these financial statements.

CITY OF JEFFERSON CITY, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The City of Jefferson City, Tennessee (the City) was chartered under the laws of the State of Tennessee. The citizens of the City elect the mayor and four council members at large to serve as city council. All legislative powers and duties of the City rest with the city council. The city council appoints the city manager who is the chief administrative officer of the City.

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the city are discussed below.

Financial Reporting Entity

Generally accepted accounting principles require that the financial reporting entity for governments include (1) the primary government, (2) organizations for which the City is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The criteria for including organizations for which the City is financially accountable, also known as component units, within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the management of the City has determined that it has no component units.

Joint Venture

The City is a participant with Jefferson County in a joint venture to own the property, plant and equipment of the Jefferson Memorial Hospital, a health facility. The City and County entered into an agreement dated February 28, 1997 with Jefferson Memorial Hospital, Inc., a not-for-profit corporation and St. Mary's Health System, Inc., a not-for-profit corporation to lease the property, plant, equipment, and net working capital of Jefferson Memorial Hospital. This lease agreement was subsequently amended on February 5, 1998 and July 20, 1999 due to increases in estimated costs in construction of the new hospital from $15 Million to $19.9 Million. Effective October 1, 2011, this lease was assigned by St. Mary's Health Systems, Inc. to Knoxville HMA Holdings, LLC. The lessee has full administrative and operational control of Jefferson Memorial Hospital. The City and Jefferson County have formed a lease oversight board, The Jefferson Healthcare

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture (Continued)

Foundation Board, to oversee the administration of the lease and the hospital in the event of lease termination. The Board consists of seven members, three appointed by the City, three appointed by the County, and one member of the hospital staff.

The lessee was responsible for paying rent to the county trustee in the amount of $125,000 per month under the terms of the original agreement. Amendments to the original lease agreement provided that the City and County repay the lessee for $1.7 Million in increased estimated costs on the date of the opening of the hospital. This payment was made from funds held by the county trustee. Also, the lessee is to receive credit of $1.6 Million against future rental payments due during the initial term of the lease in consideration of the additional $3.2 Million expenditure for the hospital. In addition, the lessee is paying to the county trustee the principal and interest payments on the outstanding bonds and notes of the hospital. Management of these rental funds rests with the lease oversight board.

Pension Plan

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

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements, none of which have an effect on these financial statements:

Statement No. 72, "Fair Value Measurement and Application" - The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68" - The requirements of this Statement are effective for financial reporting periods beginning after June 15, 2015.

Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015.

Statement No. 79, "Certain External Investment Pools and Pool Participants" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015.

NOTE B – BASIC FINANCIAL STATEMENTS - 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 government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The Statement of Activities demonstrates the degree to which the direct expenses and indirect costs of a given function, or segment, are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are those costs that are allocated to functions and activities in accordance with the City's indirect cost allocation plan. The "Expenses" column includes both direct and indirect expenses.

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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. The City has no fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Reconciliations are provided that convert the results of governmental fund accounting to the government-wide financial statements.

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual – Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – The governmental funds financial statements are presented on 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. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Government–wide and Proprietary Fund Net Position

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

Net investment in capital assets – Consists of net capital assets (capital assets reduced by accumulated depreciation) reduced by outstanding balances of any related debt obligations and deferred inflows or resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted – Consists of net position restricted for a particular purpose. Restrictions are imposed by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities and deferred inflows of resources.

Unrestricted – All other net position that does not meet the description of the above categories and is available for general use by the City.

Fund Financial Statements

The City's accounts are organized on the basis of funds each of which is considered a separate accounting entity. The transactions of each fund are accounted for with a separate set of self-balancing accounts that include its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

As discussed above, governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting which recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Major revenue sources susceptible to accrual include: real and personal property taxes, sales and use taxes, franchise fees, intergovernmental revenues, and investment income.

See "Taxes Receivable / Tax Revenue" below for further property tax information. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Fund Balance

The City classifies fund balances under the provisions of (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are displayed in the following five components, if applicable:

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental Fund Balance (Continued)

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Consists of fund balance for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Jefferson City Council's highest level of decision-making authority (passage of an ordinance).

Assigned – Assignment of fund balances are done by authority of the City Council.

Unassigned – All amounts not included in other spendable classifications.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The City's governmental fund types include the following:

General Fund – the City's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

Special Revenue Funds – used to account for revenues that are legally restricted to expenditures for specific purposes. The City's special revenue funds include the State Street Aid Fund, Sanitation Fund, and the Drug Fund.

Debt Service Fund – used to account for resources accumulated to pay principal and interest on general long-term debt.

Capital Project Fund – used to account for grants and bond proceeds restricted to the construction of the building to house the Jefferson City branch of the Jefferson County library system.

Proprietary Fund Types

Proprietary funds use the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities (including long-term debt) associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into restricted, unrestricted and reserved for a specific purpose. Proprietary funds distinguish

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Proprietary Fund Types (Continued)

operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The City has one enterprise fund – the water and sewer fund. The principal operating revenues of the City's enterprise fund are charges to customers for sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and business-type activities combined), for the determination of major funds. The governmental entity's general fund is always considered a major fund. Based on the criteria set forth in GASB 34, the City of Jefferson City has two major funds – the general fund and the capital projects fund.

The City adopted a fund balance policy in June of 2013 which established a reserve called "Financial Stabilization Fund" which is a commitment of fund balance for governmental funds as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The amount of this reserve is $2,000,000. This reserve protects against service reductions or tax increases because of temporary revenue shortfalls or unanticipated one-time expenditures. The reserve may be used to address unanticipated revenue shortfalls or unforeseen expenditures, providing a first defense against deficit spending and helping to maintain liquidity when budgeted averages become inevitable. To use these funds, there must be an appropriation by a vote of the City Council. The financial stabilization fund shall not be used to fund new programs or positions added outside of the current year budget.

NOTE D – BUDGET POLICY AND PRACTICE

The city manager submits an annual operating budget for all departments and annual capital budget update to the city council at least 60 days before the beginning of the fiscal year which has to be adopted before the end of the current fiscal year. Adoption of the budget constitutes appropriations of the amounts included as expenditures from the funds indicated and constitutes a levy of the proposed property tax. Once approved, the City Council may amend the legally adopted budget, making supplemental appropriations if excess revenues are available or reducing appropriations if it appears probable that revenues will be insufficient to meet the amount appropriated.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. Expenditures may not exceed appropriations. The city manager has the power to transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency; however, city council must approve transfer of part or all of any unencumbered appropriation balance from one department, office, or agency to another.

NOTE D – BUDGET POLICY AND PRACTICE (Continued)

Unexpended appropriations for annually budgeted funds lapse at the end of the fiscal year, to the extent that it has not been expended or encumbered.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

NOTE E – CASH AND CASH EQUIVALENTS

For purposes of the City's statement of cash flows for the water and sewer fund, cash and cash equivalents includes cash on hand, demand deposit accounts, certificates of deposit, money market accounts, deposits in the Local Government Investment Pool and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Sanitation Fund	Water and Sewer Fund	$ 20,209
Drug Fund	General Fund	232

The amount due to the sanitation fund from the water and sewer fund results from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made. The amount due to the drug fund from the general fund is fines collected near year end.

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

Transfers to:	Transfers From General Fund
Sanitation Fund	$ 157,060
Debt Service Fund	835,030
Total Transfers	$ 992,090

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

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.

NOTE G – TAXES RECEIVABLE / TAX REVENUE

Property tax assessments made by the county tax assessor are adopted by the city, and the city council sets the tax rate which is applied to the assessed value. The resulting property taxes become payable on and after October 1 in the year for which assessed and become delinquent on March 1 of the following year. The property taxes, including penalties and interest, create a lien on the assessed property, and the City may foreclose against the property to obtain the amounts due.

The City recognizes property tax revenue in its general fund financial statement during the fiscal year in which the property taxes are levied. The entire amount of the levy is recognized as revenue, and then at year end the amount not collected during the year or within 60 days after the fiscal year-end (but deemed collectible) is reclassified as allowance for uncollectible taxes. The City has $219,551 in the allowance for uncollectible taxes at June 30, 2016.

The City records a receivable for property taxes that are levied in October following the end of the June 30 fiscal year end. The City does not recognize revenue from these taxes until the next fiscal year; therefore, these amounts are reported as deferred inflows of resources, unearned revenue – property taxes.

NOTE H – RESTRICTED ASSETS

The use of certain assets is restricted by specific provisions of bond resolutions or enabling legislation. Assets so designated are identified as restricted assets on the statement of Net Position, since their use is limited. The City's water and sewer fund includes a restricted debt service reserve account and a retainage escrow account which are required by loan agreements. The City's other restricted cash is held in the State Street Aid Fund and Drug Fund.

NOTE I – UTILITY RECEIVABLES

Water and sewer operating revenues are generally recognized on the basis of cycle billings rendered monthly. The City records estimated revenues for services rendered during the current fiscal year which will not be billed until the next fiscal year.

NOTE J – ACCOUNTING FOR CAPITAL ASSETS

Capital assets, including property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed $5,000 and estimated useful lives of over one year are recorded as capital assets. Capital 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Interest capitalized during the year ended June 30, 2016 totaled $0.

Capital assets are depreciated using the straight-line method. When fixed assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10-40 years
Improvements	20-50 years
Mobile Equipment	5-7 years
Furniture, fixtures, and equipment	5-10 years

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized using the straight-line method over the shorter of the economic useful life of the asset or the remaining term of the lease.

The provisions of GASB Statement No. 34 require that the City report all capital assets in the government-wide financial statements. Capital assets include infrastructure assets. Infrastructure assets are distinguished from other capital assets because they normally can be maintained in a condition that will allow them to be used longer than most other capital assets and are stationary in nature. Examples of infrastructure assets include roads, highways and bridges. GASB Statement No. 34 allows small governments (less than $10 million in revenue) to elect not to implement the retroactive reporting for general infrastructure assets. The management of the City of Jefferson City decided not to retroactively report infrastructure assets; therefore, the City began reporting infrastructure assets prospectively (from the year ended June 30, 2004 forward).

NOTE K – COMPENSATED ABSENCES

Full-time, permanent employees are granted vacation benefits, which can accumulate to a maximum of thirty days, according to the following schedule:

Term of Full-Time Service	Vacation Benefits
Less than thirty-six months	One day per month
Thirty-six months or more	One and one-half days per month

Employees who have passed their six month probationary period are vested in their vacation benefits and receive these amounts when terminated from employment.

The cost of vacation leave for City employees is recorded as a liability in the government-wide statement of Net Position. At June 30, 2016 this amount was $175,068 for general government employees and $48,976 for water and sewer employees.

Sick leave accumulates for full-time permanent employees at a rate of eight hours of sick leave for each thirty days of service, not to exceed thirty days. Sick leave does not vest with the employee, and therefore, is not accrued in the government-wide financial statements.

NOTE L – USE OF ESTIMATES

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

NOTE M - CASH

Cash in checking and savings accounts is carried at cost. All of the City's cash at June 30, 2016 was maintained in accounts in financial institutions. The City's cash at June 30, 2016 consisted of the following:

	Unrestricted	Restricted	Total
Cash on hand	$ 2,725	$ -	$ 2,725
Interest bearing bank accounts	10,845,056	391,898	11,236,954
Debt service reserves	-	176,891	176,891
	$ 10,847,781	$ 568,789	$ 11,416,570

The banks were all FDIC insured which provided $250,000 of coverage; certain of the banks within the State of Tennessee are also participants in the Bank Collateral Pool, which will cover deposits exceeding the FDIC coverage amounts, as long as the bank accounts are designated as accounts of a governmental entity. In addition some banks have securities pledged as collateral to secure the deposits of the City. Jefferson City's deposits at June 30, 2016 are entirely insured or collateralized with securities held by the City or by the City's agent in the City's name.

CITY OF JEFFERSON CITY, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE N – CAPITAL ASSETS

Changes in Capital Assets

A summary of changes in capital assets for governmental activities follows:

Governmental Activities	Beginning Balance 07/01/2015	Increases	Decreases	Ending Balance 06/30/2016
Capital Assets, Not Being Depreciated:				
Land	$ 2,014,376	$ -	$ -	$ 2,014,376
Construction in Progress	2,451,532	424,428	2,651,296	224,664
Total Capital Assets, Not Being Depreciated	4,465,908	424,428	2,651,296	2,239,040
Capital Assets, Being Depreciated:				
Buildings and Improvements	13,844,437	2,598,007	-	16,442,444
Machinery and Equipment	4,322,731	215,846	162,839	4,375,738
Total Capital Assets, Being Depreciated	18,167,168	2,813,853	162,839	20,818,182
Less Accumulated Depreciation For:				
Buildings and Improvements	3,897,853	532,056	-	4,429,909
Machinery and Equipment	3,401,514	218,028	129,706	3,489,836
Total Accumulated Depreciation	7,299,367	750,084	129,706	7,919,745
Total Capital Assets Being Depreciated, Net	10,867,801	2,063,769	33,133	12,898,437
Governmental Activities Capital Assets, Net	$ 15,333,709	$ 2,488,197	$ 2,684,429	$ 15,137,477

The following is a summary of governmental activities depreciation expense by function:

Governmental Activities	
General Government	$ 23,019
Public Safety	401,637
Public Works/Highways and Streets	101,549
Sanitation	23,509
Culture/Recreation	200,370
Total Depreciation Expense - Governmental Activities	$ 750,084

CITY OF JEFFERSON CITY, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE N – CAPITAL ASSETS (Continued)

Changes in Capital Assets (Continued)

The following shows the changes in capital assets of business-type activities (water and sewer fund):

Business-type Activities Water and Sewer Fund	Beginning Balance 07/01/2015	Increases	Decreases	Ending Balance 06/30/2016
Capital Assets, Not Being Depreciated:				
Land	$ 245,317	$ -	$ -	$ 245,317
Construction In Progress	2,719,765	2,653,298	555,691	4,817,372
Total Capital Assets, Not Being Depreciated	2,965,082	2,653,298	555,691	5,062,689
Capital Assets, Being Depreciated:				
Buildings and Improvements	28,053,124	168,202	5,480	28,215,846
Machinery and Equipment	866,973	394,142	142,804	1,118,311
Total Capital Assets, Being Depreciated	28,920,097	562,344	148,284	29,334,157
Less Accumulated Depreciation For:				
Buildings and Improvements	9,239,002	475,350	5,480	9,708,872
Machinery and Equipment	1,499,762	250,982	142,804	1,607,940
Total Accumulated Depreciation	10,738,764	726,332	148,284	11,316,812
Total Capital Assets Being Depreciated, Net	18,181,333	(163,988)	-	18,017,345
Water and Sewer Capital Assets, Net	$ 21,146,415	$ 2,489,310	$ 555,691	$ 23,080,034

The following is a summary of business-type activities depreciation expense by function:

Business-type activities:

Water/Sewer Fund	$ 726,332

Summary of Capital Assets

The following summarizes "Capital Assets, net" found on the Statement of Net Position for governmental activities and business-type activities:

	Governmental Activities	Business-type Activities	Total
Land	$ 2,014,376	$ 245,317	$ 2,259,693
Construction in Progress	224,664	4,817,372	5,042,036
Buildings and Improvements	16,442,444	28,215,846	44,658,290
Machinery and Equipment	4,375,738	1,118,311	5,494,049
Less: Accumulated Depreciation	(7,919,745)	(11,316,812)	(19,236,557)
Capital Assets, Net	$ 15,137,477	$ 23,080,034	$ 38,217,511

NOTE O - CAPITAL LEASE COMMITMENTS

The City has entered into various capital lease agreements as follows:

Capital lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. dated July 10, 2013 for the lease of two vehicles and equipment to be used by the fire department. The economic substance of the lease is that U.S. Bancorp Government Leasing and Finance, Inc. is financing the acquisition of the assets through the lease. The vehicles are included in capital assets and the debt is recorded as a liability on the government-wide statement of net position. The purchase price of the assets was $700,330. The lease requires five equal annual payments of $146,828, including principal and interest at 1.59%; the first of which was made July 10, 2014.

Capital lease agreement with Ford Motor Credit Company dated December 9, 2013 for the lease of five police vehicles. The economic substance of the lease is that Ford Motor Credit is financing the acquisition of the assets through the lease. The vehicles are included in capital assets and the debt is recorded as a liability on the government-wide statement of net position. The purchase price of the vehicles was $105,391. The lease requires four equal annual payments of $28,674, including principal and interest at 5.95%; the first of which was made December 9, 2013, which included no interest.

Capital lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. dated June 25, 2015 for the lease of two vehicles to be used by the police department. The economic substance of the lease is that U.S. Bancorp Government Leasing and Finance, Inc. is financing the acquisition of the assets through the lease. The vehicles are included in capital assets and the debt is recorded as a liability on the government-wide statement of net position. The purchase price of the assets was $77,542. The lease requires four equal annual payments of $20,115, including principal and interest at 2.49%; the first of which was made June 25, 2015, which included no interest.

Capital lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. dated January 27, 2016 for the lease of five vehicles to be used by the police department. The economic substance of the lease is that U.S. Bancorp Government Leasing and Finance, Inc. is financing the acquisition of the assets through the lease. The vehicles are included in capital assets and the debt is recorded as a liability on the government-wide statement of net position. The purchase price of the assets was $126,105. The lease requires four equal annual payments of $32,764, including principal and interest at 2.597%; the first of which was made January 27, 2016, which included no interest.

NOTE P - LONG-TERM DEBT

The City's outstanding long-term debt, including general obligation bonds and notes payable issued by the City for various municipal improvements, is approved by the city council. These bonds and notes are backed by the full faith and credit of the City. The City is in compliance with all significant requirements of the various bond covenants. The notes and bonds payable for the enterprise fund (water and sewer) are collateralized by a pledge of sufficient water and sewer department revenues, after deduction of current operating expenses. The City also has pledged its authority to increase ad valorem taxes to pay any deficit. The notes payable through the Tennessee Health Program are collateralized with a pledge of the City's state shared tax revenues. These loans also require debt service reserve accounts.

NOTE P - LONG-TERM DEBT (Continued)

Schedule of Changes in Long-Term Debt

The following is a schedule of changes in the City's long-term debt for the fiscal year ended June 30, 2016.

	Balance 7/1/15	Additions	Reductions	Balance 6/30/16	Due Within One Year	Long-Term Portion
Governmental Activities:						
Bonds and notes payable	$ 9,575,000	$ -	$ 270,000	$ 9,305,000	$ 310,000	$ 8,995,000
Bond premium	65,216	-	4,212	61,004	-	61,004
Capital lease obligations	674,690	126,105	214,812	585,983	216,542	369,441
Compensated absences	153,308	189,861	168,101	175,068	165,000	10,068
Governmental Activities Long-term Liabilities	$ 10,468,214	$ 315,966	$ 657,125	$ 10,127,055	$ 691,542	$ 9,435,513
Business-type Activities:						
Water and Sewer Fund:						
Bonds and notes payable	$ 11,650,948	$ 3,410,301	$ 599,347	$ 14,461,902	$ 650,470	$ 13,811,432
Loss on refunding	(10,707)	4,491	-	(6,216)	-	(6,216)
Compensated absences	39,846	41,900	32,770	48,976	33,000	15,976
Business-type Activities Long-term Liabilities	$ 11,680,087	$ 3,456,692	$ 632,117	$ 14,504,662	$ 683,470	$ 13,821,192

Bonds and notes payable at June 30, 2016 consisted of individual issues as follows:

Governmental Activities

General Obligation Bonds, Series 2009, due in annual principal installments of $70,000 to $80,000 for the fiscal years ending June 30, 2011-2014, then annual principal installments ranging from $205,000 to $550,000 through June of 2035. Interest is due semi-annually on June 1 and December 1 at rates ranging from 2.5% to 4.0%.	$ 6,980,000
General Obligation Bonds, Series 2014, due in annual principal installments of $50,000 to $150,000 through June 1, 2038. Interest is due semi-annually on June 1 and December 1 at rates ranging from 2.00% to 3.00%.	2,325,000

CITY OF JEFFERSON CITY, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE P - LONG-TERM DEBT (Continued)

Bonds and notes payable at June 30, 2016 (continued):

Business-Type Activities Long-Term Debt

$1,386,263 State of Tennessee Public Health Loan, administered by the Tennessee Local Development Authority, due in monthly installments of $7,498, including interest at 1.70% through March 2017.	$ 59,988
$633,035 State of Tennessee Public Health Loan, administered by the Tennessee Local Development Authority, due in monthly installments of $3,253, including interest at 2.04% through March 2019.	101,147
$1,353,800 State of Tennessee Public Health Loan, administered by the Tennessee Local Development Authority, due in monthly installments of $6,290, including interest at 1.10% through July 2024.	583,524
$1,300,000 Water and Sewer Loan, dated March 10, 1997 through the Tennessee Municipal Bond Fund. Interest rate is 5.50%, payable monthly. Annual principal payments are scheduled through May 2017.	421,999
$2,107,000 Water and Sewer USDA Rural Development Loan dated November 6, 2001, due in monthly installments of $8,070, including principal and interest at a rate of 3.25% through October 2039.	1,578,529
$5,000,000 State of Tennessee Public Health Loan, administered by the Tennessee Local Development Authority, due in monthly installments of $22,529, including interest at 0.79% through December 2029.	3,762,986
$2,096,000 Water and Sewer USDA Rural Development dated July 21, 2011, due in monthly installments of $9,286, including principal and interest at a rate of 4.25% through June 2049.	1,974,144
$1,050,000 Water and Sewer USDA Rural Development dated December 21, 2011, due in monthly installments of $3,864, including principal and interest at a rate of 3.00% through December 2049.	978,419
$3,065,000 Water and Sewer Revenue and Tax Bonds, Series 2012A via USDA Rural Development, this loan is currently being drawn down and the ultimate maturity date and interest rate will be determined at the completion of the project phase, currently anticipated during fiscal year 2017.	879,566
$4,127,000 Water and Sewer Revenue and Tax Bonds, Series 2012B via USDA Rural Development dated May 26, 2016, due in monthly installments of $14,828, including principal and interest at a rate of 2.75% through December 2053.	4,121,600
Total Bonds and Notes Payable	$23,766,902

NOTE P - LONG-TERM DEBT (Continued)

Bonds and notes payable at June 30, 2016 (continued):

All enterprise fund bonds and notes payable are collateralized by the City's pledge of sufficient Water and Sewer department revenues, after deduction of all current operating expenses. In addition, the City has pledged its authority to increase ad valorem taxes to pay any deficit. The Tennessee Health Program Loans have the additional pledge of the City's state shared tax revenues to meet any deficit. Although these additional tax revenues are pledged to secure these bonds and notes, they are not expected to be relied upon by the City because the enterprise funds are required by Tennessee state law to maintain charges for services at a level sufficient to fund operating expenses and debt service.

Future maturities of long-term debt are as follows:

	Governmental Activities		Business-type Activities		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 526,542	$ 341,987	$ 650,470	$ 341,810	$ 1,177,012	$ 683,797
2018	512,989	328,368	644,092	378,620	1,157,081	706,988
2019	511,452	315,992	644,772	366,529	1,156,224	682,521
2020	350,000	303,650	633,055	354,703	983,055	658,353
2021	365,000	294,001	647,734	342,353	1,012,734	636,354
2022 - 2026	2,070,000	1,296,032	2,772,963	1,548,700	4,842,963	2,844,732
2027 - 2031	2,590,000	902,265	2,730,908	1,290,535	5,320,908	2,192,800
2032 - 2036	2,675,000	335,927	1,707,888	1,029,314	4,382,888	1,365,241
2037 - 2041	290,000	16,500	1,811,615	756,106	2,101,615	772,606
2042 - 2046	-	-	1,755,708	497,294	1,755,708	497,294
2047 - 2051	-	-	1,734,333	223,865	1,734,333	223,865
2052 - 2055	-	-	913,798	37,964	913,798	37,964
*	-	-	(2,185,434)	-	(2,185,434)	-
Total	$ 9,890,983	$ 4,134,722	$ 14,461,902	$ 7,167,793	$ 24,352,885	$ 11,302,515

* - represents available loan funds that had not yet been drawn down as of June 30, 2016.

NOTE Q - PENSION PLAN

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)

General Information about the Pension Plan

Plan description. Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated 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.

NOTE Q - PENSION PLAN (Continued)

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)

General Information about the Pension Plan (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes 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 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd 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 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

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

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	74
Active employees	100
	215

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. This plan is non-contributory; employees do not make contributions to the plan. The City 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 the City were $567,932 based on a rate of 15.51 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City'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.

NOTE Q - PENSION PLAN (Continued)

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability 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 June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period 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:

NOTE Q - PENSION PLAN (Continued)

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)

Net Pension Liability (Asset) (Continued)

Actuarial assumptions (continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		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 assumed that employee contributions will be made at the current rate and that contributions from the City 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 (Asset) (a) - (b)
Beginning balance*	$ 12,931,587	$ 13,731,440	$ (799,853)
Changes for the year:			
Service cost	320,782	-	320,782
Interest	978,362	-	978,362
Differences between expected and actual experience	(15,014)	-	(15,014)
Contributions - employer	-	567,932	(567,932)
Net investment income	-	425,190	(425,190)
Benefit payments, including refunds of employee contributions	(415,096)	(415,096)	-
Administrative expense	-	(5,146)	5,146
Net changes	869,034	572,880	296,154
Ending balance*	$ 13,800,621	$ 14,304,320	$ (503,699)

NOTE Q - PENSION PLAN (Continued)

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

*The measurement date of the beginning balance was June 30, 2014 and the measurement date of the ending balance was June 30, 2015. The reporting date of the beginning balance is June 30, 2015 and the reporting date of the ending balance is June 30, 2016.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability (asset)	$ 1,433,591	$ (503,699)	$ (2,115,828)

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

Pension expense. For the year ended June 30, 2016, the City recognized pension expense of $74,605.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, the City 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	$ -	$ 521,545
Net difference between projected and actual earnings on pension plan investments	-	147,897
Contributions subsequent to the measurement date of June 30, 2015	602,440	n/a
Total	$ 602,440	$ 669,442

NOTE Q - PENSION PLAN (Continued)

Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)

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

Deferred outflows of resources and deferred inflows of resources (continued)

The amount shown above for "contributions subsequent to the measurement date of June 30, 2016" 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:

	Total
Year Ended June 30:	
2017	(194,289)
2018	(194,289)
2019	(194,288)
2020	17,733
2021	(104,309)
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2016, the City reported a payable of $45,564 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

NOTE R - CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

NOTE S - RISK FINANCING ACTIVITIES

The City maintains a plan of health insurance with commercial insurance carriers. Also, the City is exposed to various risks related to general liability and property and casualty losses. The City carries commercial insurance to cover their risks related to general liability, property and casualty, and worker's compensation. Settled claims have not exceeded their commercial coverage in any of the past three years.

NOTE T – BUDGET-TO-ACTUAL RECONCILIATION

The City prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP) in that encumbrances (orders for goods or services that have not yet been received) are treated as expenditures in the budget. Encumbrances are treated as a reservation of fund balance under GAAP. The budget comparisons in the financial statements are adjusted for the effect of these encumbrances to provide a meaningful comparison of actual results with the budget.

There were no significant encumbrances in the general fund, where the expenditures reported on the budgetary comparison are less than the actual expenditures reported on a GAAP basis.

NOTE U – GOVERNMENTAL FUND BALANCES

Governmental fund balances as of June 30, 2016 consisted of the following:

	General Fund	Capital Project Fund	Other Governmental Funds	Totals
Nonspendable				
Prepayments	$ 45,904	$ -	$ 1,720	$ 47,624
Restricted				
Street expenditures	-	-	81,725	81,725
Drug enforcement	-	-	84,863	84,863
Library construction	-	223,043	-	223,043
Committed				
Financial stabilization	2,000,000	-	-	2,000,000
Unassigned	5,970,813	-	104,740	6,075,553
Totals	$ 8,016,717	$ 223,043	$ 273,048	$ 8,512,808

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Required supplementary information for the City of Jefferson City, Tennessee includes:

- Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS
- Schedule of the City's Contributions Based on Participation in the Public Employee Pension Plan of TCRS
- Notes to Required Supplementary Information

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	2015	2014
Total pension liability		
Service cost	$ 320,782	$ 298,431
Interest	978,362	964,834
Differences between actual and expected experience	(15,014)	(712,647)
Benefit payments, including refunds of employee contributions	(415,096)	(370,127)
Net change in total pension liability	869,034	180,491
Total pension liability - beginning	12,931,587	12,751,096
Total pension liability - ending (a)	$ 13,800,621	$ 12,931,587
Plan fiduciary net position		
Contributions - employer	$ 567,932	$ 605,174
Net investment income	425,190	1,936,098
Benefit payments, including refunds of employee contributions	(415,096)	(370,127)
Administrative expense	(5,146)	(4,199)
Net change in plan fiduciary net position	572,880	2,166,946
Plan fiduciary net position - beginning	13,731,440	11,564,494
Plan fiduciary net position - ending (b)	$ 14,304,320	$ 13,731,440
Net pension liability (asset) - ending (a)-(b)	$ (503,699)	$ (799,853)
Plan fiduciary net position as a percentage of total pension liability	103.65%	106.19%
Covered payroll	$ 3,661,612	$ 3,669,612
Net pension liability (asset) as a percentage of covered payroll	13.76%	21.80%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF THE CITY'S CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	2016	2015	2014
Actuarially determined contribution	$ 602,440	$ 567,932	$ 605,174
Contributions in relation to the actuarially determined contribution	602,440	567,932	605,174
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 3,876,481	$ 3,661,612	$ 3,669,612
Contributions as a percentage of covered payroll	15.54%	15.51%	16.49%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF JEFFERSON CITY, TENNESSEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

Notes to Schedule - PSPP Plan

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements, schedules and statistical information not required by the GASB, nor a part of the basic financial statements, but is presented for purposes of additional analysis.

Other supplementary information includes:

- Combining Statements – nonmajor governmental funds
- Budgetary Comparison Statements – nonmajor governmental funds
- Budgetary Comparison Statement – capital projects fund
- Budgetary Comparison Report – general fund
- Budgetary Comparison Statement – water and sewer fund
- Schedule of Operating Expenses – water and sewer fund
- Schedules of Long-Term Principal and Interest Requirements – governmental and business-type activities
- Utility Rate Structure and Numbers of Customers – water and sewer fund
- Schedule of Changes in Property Taxes Receivable
- Analysis of Tax Rates and Assessments

CITY OF JEFFERSON CITY, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds					
	State Street Aid Fund	Sanitation Fund	Drug Fund	Total	Debt Service Fund	Total
Assets:						
Cash and cash equivalents	$ -	$ 89,288	$ -	$ 89,288	$ -	$ 89,288
Due from other funds	-	20,209	232	20,441	-	20,441
Prepayments	-	1,720	-	1,720	-	1,720
Restricted assets - cash and investments	81,725	-	87,130	168,855	-	168,855
Total assets	$ 81,725	$ 111,217	$ 87,362	$ 280,304	$ -	$ 280,304
Liabilities and fund balances:						
Liabilities:						
Accounts payable	$ -	$ 392	$ -	$ 392	$ -	$ 392
Accrued liabilities	-	697	-	697	-	697
Accrued payroll	-	2,779	-	2,779	-	2,779
Due to other governments	-	889	-	889	-	889
Unearned revenue	-	-	2,499	2,499	-	2,499
Total liabilities	-	4,757	2,499	7,256	-	7,256
Fund balances:						
Nonspendable	-	1,720	-	1,720	-	1,720
Restricted	81,725	-	84,863	166,588	-	166,588
Unassigned	-	104,740	-	104,740	-	104,740
Total fund balances	81,725	106,460	84,863	273,048	-	273,048
Total liabilities and fund balances	$ 81,725	$ 111,217	$ 87,362	$ 280,304	$ -	$ 280,304

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2016

	Special Revenue Funds					
	State Street Aid Fund	Sanitation Fund	Drug Fund	Total	Debt Service Fund	Total
Revenues:						
Intergovernmental revenue	$ 232,026	$ -	$ -	$ 232,026	$ -	$ 232,026
Charges for services	-	407,832	-	407,832	-	407,832
Fines and forfeits	-	-	25,821	25,821	-	25,821
Other income	201	-	30,539	30,740	-	30,740
Total revenues	232,227	407,832	56,360	696,419	-	696,419
Expenditures:						
Current:						
Public works/Highways and streets	256,811	-	-	256,811	-	256,811
Sanitation	-	548,571	-	548,571	-	548,571
Drug investigation and control	-	-	29,162	29,162	-	29,162
Debt service:						
Principal retirement	-	-	-	-	484,815	484,815
Interest and fiscal charges	-	-	-	-	350,215	350,215
Total expenditures	256,811	548,571	29,162	834,544	835,030	1,669,574
Revenues over (under) expenditures	(24,584)	(140,739)	27,198	(138,125)	(835,030)	(973,155)
Other financing sources (uses):						
Transfers in	-	157,060	-	157,060	835,030	992,090
Total other financing sources (uses)	-	157,060	-	157,060	835,030	992,090
Net change in fund balance	(24,584)	16,321	27,198	18,935	-	18,935
Fund balance - beginning	106,309	90,139	57,665	254,113	-	254,113
Fund balance - ending	$ 81,725	$ 106,460	$ 84,863	$ 273,048	$ -	$ 273,048

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON STATEMENT - STATE STREET AID FUND

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance-Favorable (Unfavorable)
	Original	Final		
Revenues:				
State of Tennessee - gas tax	$ 222,860	$ 222,860	$ 232,026	$ 9,166
Interest income	190	190	201	11
Total revenues	223,050	223,050	232,227	9,177
Expenditures:				
Traffic control:				
Electric	11,000	11,000	9,470	1,530
Repair and maintenance - plumbing and heating	2,500	2,500	9,467	(6,967)
Total traffic control	13,500	13,500	18,937	(5,437)
Highways, streets, and roadways:				
Roads, streets and parking lots	50,000	74,710	74,816	(106)
Total highways, streets, and roadways	50,000	74,710	74,816	(106)
Street lighting:				
Electric	160,000	160,000	147,985	12,015
Repair and maintenance - plumbing and heating	600	600	659	(59)
Total street lighting	160,600	160,600	148,644	11,956
Snow and ice removal:				
Gravel and sand	-	7,550	7,546	4
Sodium chloride	15,000	7,450	6,868	582
Total snow and ice removal	15,000	15,000	14,414	586
Total expenditures	239,100	263,810	256,811	6,999
Revenues over (under) expenditures	(16,050)	(40,760)	(24,584)	16,176
Fund balance - beginning	106,309	106,309	106,309	-
Fund balance - ending	$ 90,259	$ 65,549	$ 81,725	$ 16,176

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON STATEMENT - SANITATION FUND

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance-Favorable (Unfavorable)
	Original	Final		
Revenues:				
Garbage and recycling fees	$ 400,000	$ 400,000	$ 407,832	$ 7,832
Total revenues	400,000	400,000	407,832	7,832
Expenditures:				
Sanitation:				
Salaries - permanent employees - regular	78,850	78,850	76,770	2,080
Salaries - permanent employees - overtime	200	200	166	34
Terminal pay and sick leave	-	-	4,503	(4,503)
OASI	6,040	6,040	5,673	367
Retirement - current	11,000	11,000	9,142	1,858
Workmen's compensation	6,000	6,000	5,056	944
Unemployment insurance	110	110	94	16
Advertising	400	400	250	150
Medical, dental, veterinary and vital	100	100	-	100
Repair and maintenance - motor vehicles	200	200	210	(10)
Collection fees	400,000	400,000	395,776	4,224
Office stationery and forms	100	100	136	(36)
Clothing and uniforms	2,200	2,200	1,291	909
Other operating supplies	3,000	3,000	1,576	1,424
Gas, oil, diesel fuel, and grease	7,000	7,000	2,717	4,283
Motor vehicle parts	500	500	3,217	(2,717)
Machinery and equipment parts	500	500	195	305
Tires, tubes, etc.	200	200	1,661	(1,461)
Consumable tools	200	200	-	200
Total sanitation	516,600	516,600	508,433	8,167
Insurance:				
Hospital and health insurance - employer's share	37,260	37,260	38,284	(1,024)
Insurance on vehicles	900	900	606	294
Liability	2,300	2,300	1,248	1,052
Total insurance	40,460	40,460	40,138	322
Total expenditures	557,060	557,060	548,571	8,489
Revenues over (under) expenditures	(157,060)	(157,060)	(140,739)	16,321
Other financing sources (uses):				
Transfer from general fund	157,060	157,060	157,060	-
Total other financing sources (uses)	157,060	157,060	157,060	-
Revenues and other financing sources over (under) expenditures	-	-	16,321	16,321
Fund balance - beginning	90,139	90,139	90,139	-
Fund balance - ending	$ 90,139	$ 90,139	$ 106,460	$ 16,321

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON STATEMENT - DRUG FUND

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance-Favorable (Unfavorable)
	Original	Final		
Revenues:				
Drug related fines	$ 20,000	$ 13,000	$ 25,821	$ 12,821
Interest income	50	50	151	101
Sale of materials	-	20,600	30,388	9,788
Total revenues	20,050	33,650	56,360	22,710
Expenditures:				
Drug Investigation and Control:				
Memberships, registration fees	-	-	60	(60)
Medical, dental, veterinary, and vital	700	700	798	(98)
Out-of-town expense	-	-	104	(104)
Small items of equipment	-	10,200	4,450	5,750
Food	1,000	1,000	567	433
Clothing and uniforms	-	1,000	1,189	(189)
Fire arm supplies	5,000	12,600	18,598	(5,998)
Other operating supplies	5,000	1,000	1,061	(61)
Liability	200	200	103	97
Transportation equipment	2,000	-	-	-
Other machinery and equipment	6,800	4,200	2,232	1,968
Total expenditures	20,700	30,900	29,162	1,738
Revenues over (under) expenditures	(650)	2,750	27,198	24,448
Fund balance - beginning	57,665	57,665	57,665	-
Fund balance - ending	$ 57,015	$ 60,415	$ 84,863	$ 24,448

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON STATEMENT - DEBT SERVICE FUND

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance- Favorable (Unfavorable)
	Original	Final		
Expenditures:				
Principal retirement	$ 539,600	$ 541,500	$ 484,815	$ 56,685
Interest on bonded debt	353,590	353,590	350,215	3,375
Total expenditures	893,190	895,090	835,030	60,060
Other financing sources (uses):				
Transfer from general fund	893,190	895,090	835,030	(60,060)
Total other financing sources (uses)	893,190	895,090	835,030	(60,060)
Other financing sources (uses) over (under) expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ -	$ -	$ -	$ -

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON STATEMENT - CAPITAL PROJECTS FUND

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Revenues:						
Interest income	$ -	$ 500	$ 862	$ -	$ 862	$ 362
Total revenues	-	500	862	-	862	362
Expenditures:						
Architectural, engineering	-	31,520	37,587	-	37,587	(6,067)
Other buildings	-	402,360	402,361	-	402,361	(1)
Office machinery and equipment	-	159,900	159,821	-	159,821	79
Total expenditures	-	593,780	599,769	-	599,769	(5,989)
Revenues over (under) expenditures	-	(593,280)	(598,907)	-	(598,907)	(5,627)
Fund balance - beginning	821,950	821,950	821,950	-	821,950	-
Fund balance - ending	$ 821,950	$ 228,670	$ 223,043	$ -	$ 223,043	$ (5,627)

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Revenues:						
Taxes:						
Real and personal property taxes	$ 1,827,200	$ 1,902,480	$ 1,870,879	$ -	$ 1,870,879	$ (31,601)
Penalty and interest	18,000	23,000	25,120	-	25,120	2,120
Local sales tax - county trustee	2,800,000	3,000,000	3,270,351	-	3,270,351	270,351
Wholesale beer tax	250,000	260,000	306,685	-	306,685	46,685
Wholesale liquor tax	-	160,000	174,838	-	174,838	14,838
Business taxes	200,000	200,000	239,182	-	239,182	39,182
Cable TV franchise	85,000	85,000	90,438	-	90,438	5,438
Mixed drink taxes	2,800	1,800	2,050	-	2,050	250
Total taxes	5,183,000	5,632,280	5,979,543	-	5,979,543	347,263
Licenses and permits:						
Building and sign permits	31,000	31,900	33,053	-	33,053	1,153
Beer licenses, permits and fines	2,150	1,950	1,950	-	1,950	-
Animal registration	100	100	68	-	68	(32)
Liquor compliance	-	250	250	-	250	-
Total licenses and permits	33,250	34,200	35,321	-	35,321	1,121
Intergovernmental revenues:						
Housing Authority payments in lieu of taxes	16,950	16,950	25,786	-	25,786	8,836
TVA payments in lieu of taxes	95,000	95,000	100,063	-	100,063	5,063
State law enforcement education	11,400	13,200	13,200	-	13,200	-
State fire department education	7,800	10,200	10,200	-	10,200	-
State TEA-21 grant	-	186,190	221,368	-	221,368	35,178
Fire direct appropriation	-	7,200	14,186	-	14,186	6,986
Traffic control grant	-	8,710	30,964	-	30,964	22,254
State sales tax	640,950	640,950	683,107	-	683,107	42,157
Telecommunications sales tax	650	650	747	-	747	97
State income tax	35,000	59,700	59,735	-	59,735	35
State beer tax	4,250	4,250	4,146	-	4,146	(104)
State gasoline inspection fee	17,400	16,400	15,833	-	15,833	(567)
State grant	-	3,270	3,276	-	3,276	6
STP-LED traffic signal replacement	-	-	4,922	-	4,922	4,922
ITS signal coordination project	-	16,000	16,940	-	16,940	940
Corporate excise tax	5,500	8,590	12,555	-	12,555	3,965
Other federal grants	-	34,580	35,036	-	35,036	456
Total intergovernmental revenues	834,900	1,121,840	1,252,064	-	1,252,064	130,224
Charges for services:						
Clerk's fee - business tax	1,700	1,700	2,226	-	2,226	526
Planning commission filing fees	150	150	150	-	150	-
Historic zoning filing fees	-	100	125	-	125	25
Special fire protection fees	5,000	5,750	13,000	-	13,000	7,250
Accident report charges	200	2,050	1,294	-	1,294	(756)
Highways and streets charges	98,730	98,730	98,733	-	98,733	3
Community center - passes	38,000	38,000	31,228	-	31,228	(6,772)
Community center - entry fees	78,000	78,000	72,298	-	72,298	(5,702)
Community center - room rental	20,000	20,000	24,357	-	24,357	4,357
Community center - program income	22,000	22,000	20,108	-	20,108	(1,892)
Meeting room changes	-	400	395	-	395	(5)
Pool season passes	2,900	2,900	4,225	-	4,225	1,325
Pool admittance fees	23,000	23,000	23,543	-	23,543	543
Pool rental	3,600	3,600	3,288	-	3,288	(312)
Basketball gate charges	2,800	2,500	2,437	-	2,437	(63)
Tee ball entry fees	1,500	1,500	1,725	-	1,725	225
Basketball youth entry fees	2,100	1,900	1,906	-	1,906	6

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Revenues (Continued):						
Charges for services (Continued):						
Volleyball fees	$ 600	$ 600	$ -	$ -	$ -	$ (600)
Basketball shirts sales	1,000	730	730	-	730	-
Tee ball shirts sales	800	800	830	-	830	30
Administrative charges & costs	211,060	211,060	211,060	-	211,060	-
Total charges for services	513,140	515,470	513,658	-	513,658	(1,812)
Fines and forfeits:						
City court litigation tax	8,000	12,000	13,063	-	13,063	1,063
City court fines and costs	130,000	130,000	110,116	-	110,116	(19,884)
Seized licenses	50	50	-	-	-	(50)
Drug related fines	12,000	12,000	11,427	-	11,427	(573)
County court fines & costs	20,000	30,000	38,409	-	38,409	8,409
Penalties on city fines	5,000	6,400	7,158	-	7,158	758
Total fines and forfeits	175,050	190,450	180,173	-	180,173	(10,277)
Other income:						
Interest earnings	3,000	9,000	20,071	-	20,071	11,071
Hospital lease payments	750,000	750,000	750,000	-	750,000	-
Rent - water & sewer department	50,000	50,000	50,000	-	50,000	-
Field rental	-	50	20	-	20	(30)
MOB lease payments	2,000	2,000	2,000	-	2,000	-
Rent - Providence Church	5,100	5,100	5,100	-	5,100	-
Sale of equipment	-	-	8,412	-	8,412	8,412
Contributions	55,000	86,790	86,994	-	86,994	204
Total other income	865,100	902,940	922,597	-	922,597	19,657
Total revenues	7,604,440	8,397,180	8,883,356	-	8,883,356	486,176
Expenditures:						
General government:						
Legislative:						
Salaries	20,400	20,400	20,400	-	20,400	-
OASI	2,020	2,020	1,928	-	1,928	92
Retirement - current	3,350	3,350	2,842	-	2,842	508
Postage and box rent	150	150	39	-	39	111
Duplication and printing	1,500	1,500	1,831	-	1,831	(331)
Memberships and registration fees	100	100	20	-	20	80
Public relations	3,500	4,770	2,253	-	2,253	2,517
Advertising	100	100	74	-	74	26
Other publicity, subscriptions and dues	10,180	10,180	10,161	-	10,161	19
Telephone and telegraph	1,000	1,800	2,196	-	2,196	(396)
Legal services	2,500	10,500	9,553	-	9,553	947
Other professional services	800	6,850	9,466	-	9,466	(2,616)
Out-of-town expense	300	400	345	-	345	55
Staff local travel	3,000	3,000	3,000	-	3,000	-
Meals and entertainment	3,000	3,000	3,000	-	3,000	-
Office supplies	600	600	318	-	318	282
Office stationary and forms	200	200	-	-	-	200
Food	400	400	237	-	237	163
Other contributions	50,000	50,000	50,000	-	50,000	-
Total legislative	103,100	119,320	117,663	-	117,663	1,657

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
General government (Continued):						
Judicial:						
Legal services	$ 16,500	$ 16,500	$ 16,500	$ -	$ 16,500	$ -
Other contractual services	200	200	-	-	-	200
Total judicial	16,700	16,700	16,500	-	16,500	200
City Manager:						
Salaries - permanent employees	82,110	82,110	81,467	-	81,467	643
Terminal pay and sick leave	-	-	1,579	-	1,579	(1,579)
OASI	6,200	6,200	6,167	-	6,167	33
Retirement - current	11,300	11,300	11,426	-	11,426	(126)
Workmen's compensation	600	600	598	-	598	2
Unemployment Insurance	40	40	32	-	32	8
Postage and box rent	150	150	26	-	26	124
Duplication	600	600	318	-	318	282
Subscriptions to newspapers and periodicals	160	160	33	-	33	127
Memberships and registration fees	500	500	356	-	356	144
Other publicity, subscriptions and dues	350	350	376	-	376	(26)
Telephone and telegraph	3,000	3,000	2,927	-	2,927	73
Repair and maintenance - furniture	200	200	-	-	-	200
Out-of-town expense	1,000	1,000	395	-	395	605
Staff local travel	6,000	6,000	6,000	-	6,000	-
Meals and entertainment	500	500	192	-	192	308
Office supplies and materials	500	500	373	-	373	127
Office stationary and forms	300	300	-	-	-	300
Small items of equipment	500	500	225	-	225	275
Food	500	500	359	-	359	141
Total city manager	114,510	114,510	112,849	-	112,849	1,661
General elections:						
Computer equipment	-	-	480	-	480	(480)
Other machinery and equipment	-	2,120	2,121	-	2,121	(1)
Total general elections	-	2,120	2,601	-	2,601	(481)
City recorder:						
Salaries - permanent employees	207,680	207,680	197,839	-	197,839	9,841
Terminal pay and sick leave	-	-	6,937	-	6,937	(6,937)
OASI	15,900	15,900	15,115	-	15,115	785
Retirement - current	30,940	30,940	28,197	-	28,197	2,743
Workmen's compensation	900	900	816	-	816	84
Unemployment insurance	180	180	160	-	160	20
Employee education and training	700	700	400	-	400	300
Other employer contributions	450	450	450	-	450	-
Postage and box rent	3,000	3,000	2,258	-	2,258	742
Duplication and printing	1,000	1,000	796	-	796	204
Map printing	100	100	-	-	-	100
Publication of formal and legal notices	1,500	1,500	1,162	-	1,162	338
Subscriptions to newspapers and periodicals	50	50	33	-	33	17
Memberships and registration fees	500	500	415	-	415	85
Other publicity, subscriptions and dues	1,000	1,000	-	-	-	1,000
Telephone and telegraph	1,500	2,000	2,269	-	2,269	(269)
Repair & maintenance - furniture	200	200	-	-	-	200
Out-of-town expense	1,000	1,000	432	-	432	568
Staff local travel	150	150	58	-	58	92
Recording documents	50	50	29	-	29	21
Office supplies and materials	3,300	3,300	3,586	-	3,586	(286)

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
General government (Continued):						
City recorder (Continued):						
Office stationery and forms	$ 2,500	$ 2,500	$ 2,034	$ -	$ 2,034	$ 466
Small items of equipment	1,500	1,500	95	-	95	1,405
Other operating supplies	100	100	-	-	-	100
Bank service charges	200	200	-	-	-	200
Bank fees - direct deposit	1,000	1,000	788	-	788	212
Refund taxes	-	250	232	-	232	18
Total city recorder	275,400	276,150	264,101	-	264,101	12,031
City attorney:						
Legal services	16,500	16,500	16,500	-	16,500	-
Total city attorney	16,500	16,500	16,500	-	16,500	-
Accounting and auditing:						
Accounting and auditing services	25,000	25,000	20,375	-	20,375	4,625
Total accounting and auditing	25,000	25,000	20,375	-	20,375	4,625
Tax administration						
Professional services	3,500	3,500	3,175	-	3,175	325
Total tax administration	3,500	3,500	3,175	-	3,175	325
Data processing:						
Data processing services	13,000	15,870	15,863	-	15,863	7
Total data processing	13,000	15,870	15,863	-	15,863	7
Personnel administration:						
Postage and box rent	100	100	59	-	59	41
Duplication	350	350	288	-	288	62
Memberships and registration fees	150	150	50	-	50	100
Telephone and telegraph	1,300	2,100	2,241	-	2,241	(141)
Other professional services	1,600	8,910	6,522	-	6,522	2,388
Repair and maintenance - furniture	300	300	-	-	-	300
Out-of-town expense	150	150	33	-	33	117
Staff local travel	1,000	1,000	821	-	821	179
Office supplies and materials	200	200	147	-	147	53
Office stationery and forms	200	200	-	-	-	200
Administrative costs	13,820	13,820	13,820	-	13,820	-
Total personnel administration	19,170	27,280	23,981	-	23,981	3,299
Codes administration:						
Salaries - permanent employees	41,310	41,310	44,262	-	44,262	(2,952)
Terminal pay and sick leave	-	-	169	-	169	(169)
OASI	3,000	3,000	3,144	-	3,144	(144)
Retirement-current	5,480	5,480	6,100	-	6,100	(620)
Workmen's compensation	2,000	2,000	2,030	-	2,030	(30)
Unemployment insurance	40	40	32	-	32	8
Employee education and training	500	500	350	-	350	150
Postage, box rent, etc.	150	150	49	-	49	101
Vehicle tow-in services	-	-	25	-	25	(25)
Duplication	500	500	501	-	501	(1)
Memberships, registration fees, etc.	600	600	455	-	455	145

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
General government (Continued):						
Codes administration (Continued):						
Advertising	$ 400	$ 400	$ 469	$ -	$ 469	$ (69)
Telephone and telegraph	1,900	2,900	3,116	-	3,116	(216)
Tennessee state planning office services	10,180	10,180	10,175	-	10,175	5
Repair and maintenance furniture	300	300	560	-	560	(260)
Out of town expense	350	350	230	-	230	120
Meals and entertainment	250	250	246	-	246	4
Office supplies and materials	500	500	245	-	245	255
Office stationary and forms	100	100	-	-	-	100
Gas, oil, diesel, fuel, grease, etc	600	600	271	-	271	329
Motor vehicle parts	400	400	164	-	164	236
Total codes administration	68,560	69,560	72,593	-	72,593	(3,033)
General government buildings:						
Salaries - permanent employees - regular	108,560	108,560	104,348	-	104,348	4,212
Salaries - permanent employees - overtime	350	350	-	-	-	350
Terminal pay and sick leave	-	-	6,467	-	6,467	(6,467)
OASI	8,320	8,320	7,947	-	7,947	373
Retirement - current	15,180	15,180	15,295	-	15,295	(115)
Workmen's compensation	7,630	6,330	6,318	-	6,318	12
Unemployment insurance	110	110	84	-	84	26
Automobile licenses and title	-	-	43	-	43	(43)
Duplication	100	100	-	-	-	100
Memberships, registration fees, etc.	50	50	-	-	-	50
Telephone and telegraph	400	400	30	-	30	370
Medical, dental, veterinary, and vital	200	200	472	-	472	(272)
Repair and maintenance other machinery	200	200	-	-	-	200
Repair and maintenance other machinery	100	100	-	-	-	100
Office supplies and materials	50	50	-	-	-	50
Small items of equipment	200	200	379	-	379	(179)
Clothing and uniforms	2,000	2,000	1,364	-	1,364	636
Other operating supplies	200	200	-	-	-	200
Gas, oil, diesel fuel and grease	7,000	6,000	4,767	-	4,767	1,233
Motor vehicle parts	800	800	148	-	148	652
Machinery and equipment parts	100	100	-	-	-	100
Tires, tubes and etc.	100	100	-	-	-	100
Painting or plumbing supplies	50	50	-	-	-	50
Electrical supplies	50	50	-	-	-	50
Sundry repair and maintenance	50	50	-	-	-	50
Consumable tools	500	500	133	-	133	367
Small hardware, wire and nails	50	50	-	-	-	50
Total general govemment buildings	152,350	150,050	147,795	-	147,795	2,255
City hall buildings:						
Electricity	50,000	50,000	33,814	-	33,814	16,186
Water	350	350	122	-	122	228
Sewer	500	500	205	-	205	295
Other professional services	9,500	9,500	10,609	-	10,609	(1,109)
Repair and maintenance services	1,000	1,000	721	-	721	279
Repairs and maintenance - buildings	10,000	10,000	10,698	-	10,698	(698)
Agriculture and horticulture supplies	1,000	1,000	-	-	-	1,000
Household and janitorial supplies	1,500	1,500	850	-	850	650
Trustee fees	650	650	706	-	706	(56)
Other Improvements	221,100	224,460	3,134	-	3,134	221,326
Total city hall buildings	295,600	298,960	60,859	-	60,859	238,101

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
General Government (Continued):						
Public works building:						
Electric	$ 10,000	$ 10,000	$ 6,958	$ -	$ 6,958	$ 3,042
Water	400	400	398	-	398	2
Gas	10,000	10,000	8,727	-	8,727	1,273
Other professional services	1,000	1,000	882	-	882	118
Repair and maintenance - buildings	2,000	2,000	1,580	-	1,580	420
Small items of equipment	-	-	426	-	426	(426)
Household and janitorial supplies	800	800	1,007	-	1,007	(207)
Other operating supplies	200	200	71	-	71	129
Painting or plumbing supplies	500	500	-	-	-	500
Total public works building	24,900	24,900	20,049	-	20,049	4,851
TEA-21 for sidewalks:						
Architectural, engineering	-	356,600	323,210	-	323,210	33,390
Total TEA-21 for sidewalks	-	356,600	323,210	-	323,210	33,390
STP-LED traffic signal replace:						
Architectural, engineering	-	3,850	4,922	-	4,922	(1,072)
Other buildings	-	75,000	-	-	-	75,000
Total STP-LED traffic signal replace	-	78,850	4,922	-	4,922	73,928
ITS signal coordination project:						
Architectural, engineering	-	14,000	13,860	-	13,860	140
Total ITS signal coordination project	-	14,000	13,860	-	13,860	140
STP-Wayfinding sign project:						
Architectural, engineering	-	1,100	1,164	-	1,164	(64)
Total STP-Wayfinding sign project	-	1,100	1,164	-	1,164	(64)
Insurance:						
Health insurance - employer's share	926,470	911,470	895,474	-	895,474	15,996
Insurance on buildings	21,000	21,950	21,950	-	21,950	-
Insurance on vehicles and equipment	33,000	34,300	17,562	-	17,562	16,738
Liability	34,000	38,900	20,479	-	20,479	18,421
Professional liabillty	13,500	18,260	9,128	-	9,128	9,132
Surety bonds for officials and employees	2,000	1,880	1,877	-	1,877	3
Total insurance	1,029,970	1,026,760	966,470	-	966,470	60,290
Total general government	2,158,260	2,637,730	2,204,530	-	2,204,530	433,182
Public safety:						
Police:						
Salaries - permanent employees - regular	984,010	984,010	898,714	-	898,714	85,296
Salaries - permanent employees - overtime	56,600	56,600	50,318	-	50,318	6,282
Other wages	-	-	600	-	600	(600)
Terminal pay and sick leave	26,370	26,370	29,358	-	29,358	(2,988)
OASI	81,640	81,640	70,332	-	70,332	11,308
Retirement - current	186,340	186,340	168,807	-	168,807	17,533
Workmen's compensation	57,490	55,590	49,766	-	49,766	5,824
Unemployment insurance	800	800	705	-	705	95
Employee education and training	10,000	10,000	7,628	-	7,628	2,372

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Public Safety (Continued):						
Police (Continued):						
Postage and box rent	$ 900	$ 900	$ 1,335	$ -	$ 1,335	$ (435)
Automobile licenses and titles	40	40	175	-	175	(135)
Vehicle tow-in services	300	300	1,665	-	1,665	(1,365)
Duplication	1,700	1,700	1,818	-	1,818	(118)
Memberships and registration fees	3,500	3,500	5,092	-	5,092	(1,592)
Public relation	1,200	1,200	240	-	240	960
Advertising	600	600	388	-	388	212
Other publicity, subscriptions, and dues	800	800	376	-	376	424
Electric	300	300	252	-	252	48
Telephone and telegraph	17,000	17,000	15,832	-	15,832	1,168
Medical, dental, veterinary, and vital	1,800	1,800	1,102	-	1,102	698
Repair and maintenance - motor vehicles	6,500	6,500	1,409	(1,409)	-	6,500
Repair and maintenance - other machinery	3,000	3,000	5,704	-	5,704	(2,704)
Out-of-town expense	4,000	4,000	5,961	-	5,961	(1,961)
Other contractual services	200	200	-	-	-	200
Office supplies and materials	2,500	2,500	3,008	-	3,008	(508)
Office stationery and forms	2,000	2,000	294	-	294	1,706
Small items of equipment	2,000	2,000	3,843	-	3,843	(1,843)
Food	1,000	1,000	8	-	8	992
Clothing and uniforms	18,500	19,880	21,591	-	21,591	(1,711)
Fire arm supplies	5,000	5,000	6,648	(1,026)	5,622	(622)
Educational supplies	500	500	-	-	-	500
Other operating supplies	1,200	1,200	1,640	-	1,640	(440)
Gas, oil, diesel fuel and grease	80,000	80,000	53,486	-	53,486	26,514
Motor vehicle parts	5,000	5,000	7,153	-	7,153	(2,153)
Machinery and equipment	1,500	1,500	106	-	106	1,394
Tires, tubes, etc.	6,500	6,500	10,343	-	10,343	(3,843)
Lumber	200	200	-	-	-	200
Transportation equipment	151,380	151,380	167,150	(4,837)	162,313	(10,933)
Communication equipment	1,500	1,500	-	-	-	1,500
Computer equipment	500	500	-	-	-	500
	-	22,180	22,173	-	22,173	7
Total police	1,724,370	1,746,030	1,615,020	(7,272)	1,607,748	138,282
Records and identification:						
Salaries-permanent employees - regular	73,370	73,370	71,351	-	71,351	2,019
Terminal pay and sick leave	3,500	3,500	2,887	-	2,887	613
OASI	5,800	5,800	5,164	-	5,164	636
Retirement - current	10,720	10,720	10,217	-	10,217	503
Workmen's compensation	250	250	180	-	180	70
Unemployment Insurance	80	80	64	-	64	16
Employee education and training	800	800	-	-	-	800
Memberships and registration fees	200	200	105	-	105	95
Data processing services	10,000	10,000	7,075	-	7,075	2,925
Repair and maintenance - furniture	200	200	-	-	-	200
Repair and maintenance - other machinery	200	200	-	-	-	200
Out-of-town expense	500	500	725	-	725	(225)
Office supplies and materials	600	600	947	-	947	(347)
Office stationery and forms	700	700	-	-	-	700
Small items of equipment	600	600	104	-	104	496
Clothing and uniforms	500	500	396	-	396	104
Total records and identification	108,020	108,020	99,215	-	99,215	8,805

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Public Safety (Continued):						
Traffic control:						
Salaries-permanent employees - regular	$ 40,390	$ 40,390	$ 40,023	$ -	$ 40,023	$ 367
Terminal pay	-	-	1,582	-	1,582	(1,582)
OASI	3,330	3,330	2,957	-	2,957	373
Hospital and health insurance	16,180	16,180	15,226	-	15,226	954
Retirement - current	7,580	7,580	7,206	-	7,206	374
Workmen's compensation	2,380	2,380	2,200	-	2,200	180
Unemployment Insurance	40	40	32	-	32	8
Clothing & uniforms	400	400	338	-	338	62
Gas, oil, diesel fuel, grease	1,200	1,600	2,447	-	2,447	(847)
Total traffic control	71,500	71,900	72,011	-	72,011	(111)
Police station and buildings:						
Electric	44,000	44,000	34,241	-	34,241	9,759
Water	300	300	117	-	117	183
Sewer	400	400	169	-	169	231
Gas	800	800	433	-	433	367
Other professional services	10,000	10,000	11,965	-	11,965	(1,965)
Repair and maintenance services	1,000	1,000	650	-	650	350
Repair and maintenance buildings	3,500	4,100	4,353	-	4,353	(253)
Household and janitorial supplies	1,500	1,500	947	-	947	553
Total police station and buildings	61,500	62,100	52,875	-	52,875	9,225
Fire protection and control						
Salaries - permanent employees - regular	660,630	660,630	723,028	-	723,028	(62,398)
Salaries - permanent employees - overtime	30,450	30,450	56,843	-	56,843	(26,393)
Salaries - temporary employees	45,000	45,000	40,345	-	40,345	4,655
Terminal pay and sick leave	16,240	16,240	21,018	-	21,018	(4,778)
OASI	57,500	57,500	60,113	-	60,113	(2,613)
Retirement - current	123,330	123,330	137,084	-	137,084	(13,754)
Worker's compensation	30,950	30,950	27,491	-	27,491	3,459
Unemployment Insurance	700	700	820	-	820	(120)
Employee education and training	20,000	20,000	24,492	(103)	24,389	(4,389)
Volunteer firemen	55,000	55,000	45,359	-	45,359	9,641
Postage, box rent, etc.	300	300	242	-	242	58
Publications, reports, etc.	1,600	1,600	-	-	-	1,600
Duplication	500	500	1,053	-	1,053	(553)
Memberships and registration fees	5,000	5,000	3,908	-	3,908	1,092
Public relations	4,000	4,000	1,687	-	1,687	2,313
Advertising	300	300	-	-	-	300
Other publicity, subscriptions, and dues	300	300	-	-	-	300
Telephone and telegraph	3,000	3,000	5,704	-	5,704	(2,704)
Medical, dental, veterinary, and vital	6,000	5,050	4,575	-	4,575	475
Repair and maintenance - motor vehicles	8,000	8,000	11,284	-	11,284	(3,284)
Repair and maintenance - other machinery	5,000	5,000	7,278	-	7,278	(2,278)
Out-of-town expense	4,000	4,000	9,095	-	9,095	(5,095)
Office supplies and materials	2,000	2,000	1,356	-	1,356	644
Office stationary and forms	500	500	-	-	-	500
Small items of equipment	2,500	3,250	5,298	-	5,298	(2,048)
Chemical, laboratory, medical	1,000	1,000	-	-	-	1,000
Food	1,200	1,200	221	-	221	979
Clothing and uniforms	20,000	24,600	19,729	-	19,729	4,871
Educational supplies	2,500	2,500	1,709	-	1,709	791
Other operating supplies	5,000	5,000	942	-	942	4,058
Gas, oil, diesel fuel, grease, etc.	16,000	16,000	8,699	-	8,699	7,301
Motor vehicle parts	3,500	1,750	2,763	-	2,763	(1,013)

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Public safety (Continued):						
Fire protection and control (Continued):						
Machinery and equipment parts	$ 1,500	$ 3,500	$ 6,489	$ -	$ 6,489	$ (2,989)
Tires, tubes, and etc.	3,500	3,500	7,650	-	7,650	(4,150)
Painting or plumbing supplies	1,000	1,000	48	-	48	952
Sundry repair and maintenance	1,000	1,000	-	-	-	1,000
Fire hydrants	5,000	2,000	-	-	-	2,000
Other insurance	1,760	1,760	631	-	631	1,129
Machinery and equipment rental	1,200	-	-	-	-	-
Other machinery and equipment	-	10,250	11,865	-	11,865	(1,615)
Total fire protection and control	1,146,960	1,157,660	1,248,819	(103)	1,248,716	(91,056)
Fire stations and buildings:						
Electric	45,000	44,500	35,024	-	35,024	9,476
Water	1,000	500	1,136	-	1,136	(636)
Sewer	600	600	509	-	509	91
Gas	5,000	5,000	4,751	-	4,751	249
Other professional services	1,560	2,560	3,255	-	3,255	(695)
Repair and maintenance services	570	570	529	-	529	41
Repair and maintenance - buildings	3,000	3,000	6,998	-	6,998	(3,998)
Household and janitorial supplies	2,500	2,500	1,873	-	1,873	627
Total fire stations and buildings	59,230	59,230	54,075	-	54,075	5,155
Total public safety	3,171,580	3,204,940	3,142,015	(7,375)	3,134,640	70,300
Public works:						
Administrative expenses:						
Salaries - permanent employees	99,240	99,240	96,540	-	96,540	2,700
Terminal pay and sick leave	-	-	327	-	327	(327)
OASI	7,600	7,600	7,303	-	7,303	297
Retirement - current	13,830	13,830	13,335	-	13,335	495
Workmen's compensation	790	790	597	-	597	193
Unemployment insurance	80	80	91	-	91	(11)
Employee education and training	500	500	-	-	-	500
Postage and box rent	200	200	175	-	175	25
Duplication	600	600	410	-	410	190
Subscriptions to newspapers and periodicals	30	30	33	-	33	(3)
Memberships and registration fees	1,000	1,000	256	-	256	744
Advertising	50	50	83	-	83	(33)
Other publicity, subscriptions	150	150	-	-	-	150
Telephone and telegraph	1,500	1,500	1,117	-	1,117	383
Repairs and maintenance - furniture	180	180	50	-	50	130
Out-of-town expense	500	500	-	-	-	500
Staff local travel	3,000	3,000	2,987	-	2,987	13
Office supplies and materials	800	800	1,109	-	1,109	(309)
Office stationary and forms	200	200	-	-	-	200
Small items of equipment	300	300	-	-	-	300
Communication equipment	-	-	1,232	-	1,232	(1,232)
Total administrative expenses	130,550	130,550	125,645	-	125,645	4,905
STP resurfacing projects:						
Architectural, engineering and landscaping	-	4,500	3,981	-	3,981	519
Total STP resurfacing projects	-	4,500	3,981	-	3,981	519

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Public works (Continued):						
Highways, streets and roadways:						
Salaries - permanent employees - regular	$ 217,100	$ 217,100	$ 209,767	$ -	$ 209,767	$ 7,333
Salaries - permanent employees - overtime	40,000	40,000	18,132	-	18,132	21,868
Terminal pay and sick leave	-	-	10,394	-	10,394	(10,394)
OASI	19,720	19,720	17,133	-	17,133	2,587
Retirement - current	35,900	35,900	32,801	-	32,801	3,099
Workmen's compensation	23,700	19,200	19,198	-	19,198	2
Unemployment insurance	260	260	262	-	262	(2)
Employee education and training	300	300	-	-	-	300
Automobile licenses and titles	-	-	93	-	93	(93)
Advertising	200	200	66	-	66	134
Electric	600	600	690	-	690	(90)
Telephone and telegraph	400	400	77	-	77	323
Medical, dental, veterinary, and vital	500	500	411	-	411	89
Architectural, engineering	-	3,800	1,023	-	1,023	2,777
Other professional services	5,000	5,000	6,920	-	6,920	(1,920)
Repair and maintenance - motor vehicles	800	800	327	-	327	473
Repair and maintenance - other machinery	1,000	1,000	-	-	-	1,000
Out-of-town expense	100	100	-	-	-	100
Office supplies and materials	100	100	89	-	89	11
Office stationary and forms	100	100	-	-	-	100
Small items of equipment	600	600	771	-	771	(171)
Agriculture and horticulture supplies	800	800	1,005	-	1,005	(205)
Food	2,400	-	-	-	-	-
Household and janitorial supplies	700	700	202	-	202	498
Clothing and uniforms	7,000	7,000	3,532	-	3,532	3,468
Other operating supplies	1,500	1,500	1,330	-	1,330	170
Gas, oil, diesel fuel and grease	25,000	25,000	17,477	-	17,477	7,523
Motor vehicle parts	4,000	4,000	2,505	-	2,505	1,495
Machinery and equipment parts	10,000	10,000	14,082	-	14,082	(4,082)
Tires, tubes, etc.	2,500	2,500	6,001	-	6,001	(3,501)
Painting or plumbing supplies	1,500	1,500	972	-	972	528
Consumable tools	800	800	901	-	901	(101)
Sign parts and supplies	4,000	4,000	2,202	-	2,202	1,798
Ready mixed concrete	500	500	-	-	-	500
Concrete blocks	200	200	-	-	-	200
Cement and concrete supplies	5,000	5,000	6,975	-	6,975	(1,975)
Structural steel and iron	400	400	-	-	-	400
Metal pipe and fittings	500	500	-	-	-	500
Guard rails and posts	5,000	5,000	-	-	-	5,000
Metal culverts	4,000	4,000	549	-	549	3,451
Lumber	300	300	221	-	221	79
Crushed stone	3,000	3,000	5,865	-	5,865	(2,865)
Gravel and sand	500	500	361	-	361	139
Asphalt and asphalt filler	20,000	20,000	13,646	-	13,646	6,354
Machinery and equipment rental	500	500	-	-	-	500
Transfers to other funds	60,000	20,100	-	-	-	20,100
Roads, streets and parking lots	100,000	100,000	84,780	-	84,780	15,220
Transportation equipment	200,000	77,260	-	-	-	77,260
Other machinery and equipment	25,000	9,000	9,000	-	9,000	-
Total highways, streets and roadways	831,480	649,740	489,760	-	489,760	159,980
Bridges, viaducts, and grade separation:						
Other improvements	180,000	186,550	6,537	-	6,537	180,013
Total bridges, viaducts, and grade separation	180,000	186,550	6,537	-	6,537	180,013

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Public works (Continued):						
City garage:						
Salaries - permanent employees - regular	$ 108,570	$ 108,570	$ 104,164	$ -	$ 104,164	$ 4,406
Salaries - permanent employees - overtime	1,000	1,000	793	-	793	207
Terminal pay and sick leave	-	-	3,997	-	3,997	(3,997)
OASI	8,380	8,380	7,789	-	7,789	591
Retirement - current	15,300	15,300	14,981	-	14,981	319
Workmen's compensation	6,000	6,000	5,514	-	5,514	486
Unemployment insurance	110	110	96	-	96	14
Automobile licenses	-	-	42	-	42	(42)
Duplication	100	100	-	-	-	100
Telephone and telegraph	400	400	572	-	572	(172)
Medical, dental, veterinary, and vital	200	200	177	-	177	23
Repair and maintenance - motor vehicles	100	100	-	-	-	100
Repair and maintenance - other machinery	500	500	-	-	-	500
Repair and maintenance - buildings	200	200	13	-	13	187
Office supplies and materials	150	150	26	-	26	124
Office stationary and forms	100	100	-	-	-	100
Small items of equipment	500	500	566	-	566	(66)
Household and janitorial supplies	1,500	1,500	228	-	228	1,272
Clothing and uniforms	1,500	1,500	1,193	-	1,193	307
Other operating supplies	500	500	79	-	79	421
Gas, oil, diesel fuel, grease, etc.	1,200	1,200	681	-	681	519
Motor vehicle parts	200	200	244	-	244	(44)
Machinery and equipment parts	1,000	1,000	863	-	863	137
Consumable tools	1,000	1,000	762	-	762	238
Machinery and equipment rental	2,000	2,000	3,529	-	3,529	(1,529)
General purpose machinery	-	12,020	12,013	-	12,013	7
Other machinery and equipment	2,000	2,000	1,420	-	1,420	580
Total city garage	152,510	164,530	159,742	-	159,742	4,788
Total public works	1,294,540	1,135,870	785,665	-	785,665	350,205
Health, welfare and social services:						
Rabies and animal control:						
Contractual services	9,750	9,750	9,750	-	9,750	-
Donation	9,750	9,750	9,750	-	9,750	-
Total rabies and animal control	19,500	19,500	19,500	-	19,500	-
Social services building:						
Repair and maintenance - buildings	500	500	221	-	221	279
Total social services building	500	500	221	-	221	279
Senior citizens activities:						
Electric	3,400	3,400	3,579	-	3,579	(179)
Water	110	110	112	-	112	(2)
Sewer	230	230	160	-	160	70
Gas	1,100	1,100	1,073	-	1,073	27
Repair and maintenance - buildings	500	500	305	-	305	195
Donation	1,200	1,200	1,200	-	1,200	-
Total senior citizens activities	6,540	6,540	6,429	-	6,429	111
Total health, welfare and social services	26,540	26,540	26,150	-	26,150	390

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Culture and recreation:						
Recreation administration:						
Salaries - permanent employees	$ 53,550	$ 53,550	$ 52,208	$ -	$ 52,208	$ 1,342
Terminal pay and sick leave	-	-	1,956	-	1,956	(1,956)
OASI	4,100	4,100	4,071	-	4,071	29
Retirement - current	7,470	7,470	7,454	-	7,454	16
Workmen's compensation	510	510	381	-	381	129
Unemployment insurance	40	40	32	-	32	8
Postage, box rent, etc.	30	30	-	-	-	30
Subscriptions to newspapers	100	100	-	-	-	100
Memberships and registration fees	500	500	100	-	100	400
Advertising	200	200	44	-	44	156
Telephone and telegraph	600	600	538	-	538	62
Repair and maintenance - other machinery	150	150	-	-	-	150
Out-of-town expense	800	200	-	-	-	200
Staff local travel	1,900	1,900	1,123	-	1,123	777
Office supplies and materials	200	200	38	-	38	162
Office stationary and forms	50	50	-	-	-	50
Clothing and uniforms	150	150	96	-	96	54
Other operating supplies	150	150	-	-	-	150
Machinery and equipment rental	100	100	-	-	-	100
Computer equipment	-	600	480	-	480	120
Total recreation administration	70,600	70,600	68,521	-	68,521	2,079
Mossy Creek Recreation Complex:						
Electric	1,800	1,800	639	-	639	1,161
Water	300	300	112	-	112	188
Repair and maintenance - building	300	300	-	-	-	300
Repair and maintenance - plumbing	200	200	-	-	-	200
Agriculture and horticulture	300	300	-	-	-	300
Household and janitorial supplies	100	100	-	-	-	100
Recreation supplies	200	200	-	-	-	200
Painting or plumbing supplies	200	200	-	-	-	200
Sundry repair and maintenance	200	200	-	-	-	200
Cement and concrete supplies	-	-	1,040	-	1,040	(1,040)
Crushed stone	500	500	-	-	-	500
Gravel and sand	600	600	330	-	330	270
Dirt and topsoil	200	200	-	-	-	200
Machinery and equipment rental	750	750	1,260	-	1,260	(510)
Total Mossy Creek Recreation Complex	5,650	5,650	3,381	-	3,381	2,269
Nelson-Merry Complex:						
Electric	3,500	3,500	3,205	-	3,205	295
Water	350	350	363	-	363	(13)
Sewer	500	500	371	-	371	129
Gas	4,500	4,500	3,948	-	3,948	552
Telephone and telegraph	500	500	322	-	322	178
Repair and maintenance - other	150	150	-	-	-	150
Repair and maintenance - building	500	500	206	-	206	294
Household and janitorial supplies	400	400	26	-	26	374
Recreation supplies	300	300	-	-	-	300
Other operating supplies	200	200	12	-	12	188
Painting and plumbing supplies	500	500	420	-	420	80
Machinery and equipment rental	200	200	-	-	-	200
Total Nelson-Merry Complex	11,600	11,600	8,873	-	8,873	2,727

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Culture and recreation (Continued):						
Swimming pool:						
Salaries - temporary	$ 42,000	$ 42,000	$ 48,073	$ -	$ 48,073	$ (6,073)
OASI	3,210	3,210	3,448	-	3,448	(238)
Workmen's compensation	1,500	1,500	2,077	-	2,077	(577)
Unemployment insurance	270	270	181	-	181	89
Advertising	-	-	229	-	229	(229)
Electric	12,000	12,000	6,885	-	6,885	5,115
Water	7,000	7,000	4,683	-	4,683	2,317
Sewer	500	500	-	-	-	500
Telephone and telegraph	600	600	392	-	392	208
Repair and maintenance - other machinery	1,200	1,200	2,776	-	2,776	(1,576)
Repair and maintenance - buildings	500	500	2,521	-	2,521	(2,021)
Office supplies and materials	50	50	172	-	172	(122)
Chemicals and laboratory	5,000	5,000	5,819	-	5,819	(819)
Household and janitorial supplies	750	750	882	-	882	(132)
Other operating supplies	1,200	1,200	1,282	-	1,282	(82)
Machinery and equipment parts	300	300	-	-	-	300
Painting or plumbing supplies	500	500	675	-	675	(175)
Machinery and equipment rental	200	200	-	-	-	200
Pool health permit	800	800	-	-	-	800
Other improvements	85,000	85,000	82,190	-	82,190	2,810
Total swimming pool	162,580	162,580	162,285	-	162,285	295
Community center:						
Salaries - permanent employees - regular	162,170	162,170	160,732	-	160,732	1,438
Salaries - temporary employees	110,000	110,000	101,490	-	101,490	8,510
Other wages	-	250	240	-	240	10
Terminal pay and sick leave	-	-	1,781	-	1,781	(1,781)
OASI	20,830	20,830	21,575	-	21,575	(745)
Retirement - current	22,590	22,590	20,124	-	20,124	2,466
Workmen's compensation	14,080	14,080	10,905	-	10,905	3,175
Unemployment insurance	360	360	550	-	550	(190)
Postage, box rent, etc.	400	400	20	-	20	380
Duplication	2,600	2,600	944	-	944	1,656
Memberships and registration fees	600	600	340	-	340	260
Public relations	200	200	74	-	74	126
Advertising	750	750	703	-	703	47
Other publicity, subscriptions	50	50	-	-	-	50
Electric	80,000	80,000	72,688	-	72,688	7,312
Water	2,700	2,700	1,317	-	1,317	1,383
Sewer	2,000	2,000	2,383	-	2,383	(383)
Gas	20,000	20,000	12,729	-	12,729	7,271
Telephone and telegraph	4,000	4,000	3,343	-	3,343	657
Medical, dental, veterinary	80	80	-	-	-	80
Repairs and maintenance - other machinery	10,000	10,000	3,792	-	3,792	6,208
Repairs and maintenance - buildings	6,500	6,500	10,240	-	10,240	(3,740)
Out-of-town expense	400	400	117	-	117	283
Other contractual services	550	550	693	-	693	(143)
Office supplies and materials	1,000	1,000	660	-	660	340
Office stationery and forms	400	400	112	-	112	288
Small items of equipment	700	700	568	-	568	132
Agriculture and horticulture supplies	400	400	315	-	315	85
Chemicals	6,000	6,000	4,073	-	4,073	1,927
Food	200	200	465	-	465	(265)
Household and janitorial supplies	8,000	8,000	7,704	-	7,704	296
Recreation supplies	2,500	1,950	1,236	-	1,236	714
Clothing and uniforms	800	800	119	-	119	681
Other operating supplies	1,900	1,900	1,409	-	1,409	491

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Culture and recreation (Continued):						
Community center (Continued):						
Painting or plumbing supplies	$ 600	$ 600	$ 802	$ -	$ 802	$ (202)
Consumable tools	150	150	-	-	-	150
Machinery and equipment rental	600	600	-	-	-	600
Bank service charges	1,000	-	-	-	-	-
Pool health permit	340	340	-	-	-	340
Other buildings	201,420	199,690	199,690	-	199,690	-
Computer equipment	-	550	726	-	726	(176)
Total Community Center	686,870	684,390	644,659	-	644,659	39,731
Basketball:						
Salaries - temporary employees	-	-	1,048	-	1,048	(1,048)
Other wages	3,000	3,000	1,680	-	1,680	1,320
OASI	-	-	101	-	101	(101)
Unemployment insurance	-	-	4	-	4	(4)
Recreation supplies	250	250	30	-	30	220
Clothing and uniforms	2,250	2,250	1,830	-	1,830	420
Sundry repair and maintenance	50	50	-	-	-	50
Total basketball	5,550	5,550	4,693	-	4,693	857
Tee-ball:						
Salaries - temporary employees	2,200	2,200	1,646	-	1,646	554
OASI	180	180	97	-	97	83
Workmen's compensation	-	-	81	-	81	(81)
Unemployment insurance	50	50	5	-	5	45
Recreation supplies	500	500	26	-	26	474
Clothing and uniforms	1,800	1,800	1,306	-	1,306	494
Other wages	800	800	-	-	-	800
Recreation supplies	200	200	-	-	-	200
Total tee-ball	5,730	5,730	3,161	-	3,161	2,569
Park areas:						
Salaries - permanent employees - regular	74,990	74,990	72,937	-	72,937	2,053
Salaries - temporary employees	14,000	14,000	-	-	-	14,000
Terminal pay and sick leave	-	-	3,314	-	3,314	(3,314)
OASI	6,800	6,800	3,312	-	3,312	3,488
Retirement - current	10,500	10,500	12,739	-	12,739	(2,239)
Workmen's compensation	3,830	3,830	2,829	-	2,829	1,001
Unemployment insurance	110	110	121	-	121	(11)
Automobile licenses	-	-	18	-	18	(18)
Architectural, engineering, and landscaping	9,000	9,000	10,780	-	10,780	(1,780)
Repairs and maintenance - motor vehicles	200	200	-	-	-	200
Repairs and maintenance - other machinery	200	200	-	-	-	200
Out-of-town expense	200	200	-	-	-	200
Staff local travel	400	400	-	-	-	400
Small items of equipment	-	200	172	-	172	28
Agriculture and horticulture supplies	200	200	52	-	52	148
Clothing and uniforms	600	600	220	-	220	380
Other operating supplies	350	350	37	-	37	313
Gas, oil, diesel fuel, grease	4,500	4,500	2,271	-	2,271	2,229
Motor vehicle parts	600	600	190	-	190	410
Machinery & equipment parts	500	500	496	-	496	4
Tires, tubes, etc.	500	500	-	-	-	500
Painting or plumbing supplies	200	200	-	-	-	200
Consumable tools	500	300	56	-	56	244

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Culture and recreation (Continued):						
Park areas (Continued):						
Gravel and sand	$ 400	$ 400	$ -	$ -	$ -	$ 400
Machinery and equipment rental	200	200	-	-	-	200
Other buildings	-	30,000	30,175	-	30,175	(175)
Total park areas	128,780	158,780	139,719	-	139,719	19,061
Nelson-Merry Park:						
Electric	800	800	299	-	299	501
Repair and maintenance - buildings	250	250	18	-	18	232
Repair and maintenance - plumbing	150	150	-	-	-	150
Agriculture and horticulture supplies	400	400	-	-	-	400
Recreation supplies	200	200	-	-	-	200
Painting or plumbing supplies	200	200	-	-	-	200
Sundry repair and maintenance supplies	200	200	23	-	23	177
Gravel and sand	400	400	-	-	-	400
Dirt and topsoil	400	400	-	-	-	400
Total Nelson-Merry Park	3,000	3,000	340	-	340	2,660
Centennial Park:						
Electric	400	400	500	-	500	(100)
Water	300	300	118	-	118	182
Sewer	300	300	171	-	171	129
Repair and maintenance--buildings	250	250	163	-	163	87
Repair and maintenance plumbing, heating	150	150	-	-	-	150
Small items of equipment	-	-	597	-	597	(597)
Food	-	-	16	-	16	(16)
Household and janitorial supplies	200	200	-	-	-	200
Machinery and equipment rental	700	300	-	-	-	300
Other buildings	1,600	2,000	1,976	-	1,976	24
Total Centennial Park	3,900	3,900	3,541	-	3,541	359
Little league field:						
Electric	2,000	2,000	925	-	925	1,075
Water	600	600	112	-	112	488
Sewer	350	350	160	-	160	190
Repair and maintenance - buildings	300	300	164	-	164	136
Repair and maintenance - plumbing	250	250	-	-	-	250
Agriculture and horticulture supplies	450	450	57	-	57	393
Recreation supplies	200	200	30	-	30	170
Other operating supplies	300	300	105	-	105	195
Painting or plumbing supplies	300	300	-	-	-	300
Sundry repair and maintenance supplies	50	50	-	-	-	50
Gravel and sand	800	800	390	-	390	410
Dirt and topsoil	300	300	-	-	-	300
Machinery and equipment rental	-	-	146	-	146	(146)
Other improvements	2,000	2,000	1,683	-	1,683	317
Total little league field	7,900	7,900	3,772	-	3,772	4,128
Libraries:						
Contractual services	52,165	52,165	52,165	-	52,165	-
Electric	50,000	50,000	21,461	-	21,461	28,539
Water	355	355	214	-	214	141
Sewer	500	500	275	-	275	225
Gas	-	-	472	-	472	(472)

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON REPORT - GENERAL FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual (Budgetary Basis)	Variance-Favorable (Unfavorable)
Expenditures (Continued):						
Culture and recreation (Continued):						
Libraries (Continued):						
Telephone and telegraph	$ 2,000	$ 2,000	$ 78	$ -	$ 78	$ 1,922
Other professional services	8,500	8,500	15,484	-	15,484	(6,984)
Repair and maintenance - building	1,000	1,000	3,101	-	3,101	(2,101)
Household and janitorial supplies	800	800	631	-	631	169
Insurance on buildings	3,000	3,000	1,516	-	1,516	1,484
Trustee fees	660	660	653	-	653	7
Total Libraries	118,980	118,980	96,050	-	96,050	22,930
Total culture and recreation	1,211,140	1,238,660	1,138,995	-	1,138,995	99,665
Total expenditures	7,862,060	8,243,740	7,297,355	(7,375)	7,289,980	953,742
Revenues over (under) expenditures	(257,620)	153,440	1,586,001	7,375	1,593,376	1,439,936
Other financing sources and (uses):						
Transfer out	(990,240)	(992,140)	(992,090)	-	(992,090)	50
Capital lease proceeds	335,000	203,370	126,105	-	126,105	(77,265)
Insurance recoveries	-	4,950	4,950	-	4,950	-
Other financing sources	6,000	36,000	36,175	-	36,175	175
Total other financing sources and (uses)	(649,240)	(747,820)	(824,860)	-	(824,860)	(77,040)
Net change in fund balance	(906,860)	(594,380)	761,141	7,375	768,516	1,362,896
Fund balance - beginning	7,248,201	7,248,201	7,255,576	(7,375)	7,248,201	-
Fund balance - ending	$ 6,341,341	$ 6,653,821	$ 8,016,717	$ -	$ 8,016,717	$ 1,362,896

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

BUDGETARY COMPARISON STATEMENT
WATER AND SEWER FUND

Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance- Favorable (Unfavorable)
	Original	Final		
Operating revenues:				
Charges for services:				
Metered water sales	$ 2,200,000	$ 2,400,000	$ 2,394,551	$ (5,449)
Flat rate water sales	300	300	79	(221)
Forfeited discounts and penalties	40,000	42,000	44,090	2,090
Water connection fees	40,000	36,000	38,640	2,640
Water tap fees	15,000	15,000	11,650	(3,350)
Line extension charges	350	350	7,306	6,956
Sewer service charges	1,400,000	1,400,000	1,372,077	(27,923)
Grease trap inspection fee	9,600	9,600	10,600	1,000
Sewer tap fees	10,000	34,000	36,250	2,250
Total charges for services	3,715,250	3,937,250	3,915,243	(22,007)
Other income:				
Administrative costs	13,820	13,820	13,820	-
Bad debts collections	500	600	845	245
Miscellaneous - water	20,000	23,000	31,079	8,079
Miscellaneous - sewer	500	500	7,442	6,942
Total other income	34,820	37,920	53,186	15,266
Total operating revenues	3,750,070	3,975,170	3,968,429	(6,741)
Operating expenses	3,005,790	3,111,730	3,128,710	(16,980)
Operating income	744,280	863,440	839,719	(23,721)
Non-operating revenues (expenses):				
Interest earned	4,000	6,000	9,214	3,214
Interest expense	(228,960)	(214,960)	(225,984)	(11,024)
Total non-operating revenues (expenses)	(224,960)	(208,960)	(216,770)	(7,810)
Change in net position	519,320	654,480	622,949	(31,531)
Net position - beginning	11,673,365	11,673,365	11,673,365	-
Net position - ending	$ 12,192,685	$ 12,327,845	$ 12,296,314	$ (31,531)

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF OPERATING EXPENSES - WATER AND SEWER FUND

Fiscal Year Ended June 30, 2016

	Water	Sewer	Total
Administrative and general:			
Salaries - permanent employees - regular	$ 53,492	$ 37,184	$ 90,676
Terminal pay and sick leave	1,969	1,306	3,275
OASI	3,600	2,399	5,999
Retirement - current	833	555	1,388
Worker's compensation insurance	249	166	415
Unemployment insurance	38	26	64
Postage and box rent	1,647	706	2,353
Mailing service	17,165	6,467	23,632
Duplication	465	196	661
Memberships and registration fees	1,274	527	1,801
Advertising	54	-	54
Telephone and telegraph	3,414	1,000	4,414
Accounting and auditing services	14,928	6,372	21,300
Data processing services	5,340	2,111	7,451
Other professional service	1,400	-	1,400
Repair and maintenance - furniture	25	25	50
Out of town expense	11	-	11
Staff local travel	2,099	899	2,998
Office supplies and materials	1,279	548	1,827
Office stationery and forms	5,003	2,055	7,058
Building and office rental	25,000	25,000	50,000
Land rental	300	-	300
Trustee fees	1,410	-	1,410
Bank service charges	1,055	-	1,055
Bank fees - direct deposit	99	66	165
Insurance employer's share	195,660	134,485	330,145
Administrative costs	140,370	70,690	211,060
Communication equipment	862	370	1,232
Other machinery and equipment	2,889	-	2,889
Total administrative and general	481,930	293,153	775,083
Customer accounting and collecting:			
Salaries - permanent employees - regular	35,633	23,756	59,389
Salaries - permanent employees - overtime	231	-	231
Terminal pay and sick leave	390	134	524
OASI	2,592	1,707	4,299
Retirement - current	593	391	984
Worker's compensation insurance	1,796	1,214	3,010
Unemployment insurance	38	25	63
Office supplies and materials	11	-	11
Clothing and uniforms	493	210	703
Other operating supplies	13	13	26
Gas, oil, diesel fuel and grease	3,964	1,622	5,586
Motor vehicle parts	403	173	576
Tires, tubes, etc.	576	247	823
Total customer accounting and collecting	46,733	29,492	76,225

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF OPERATING EXPENSES - WATER AND SEWER FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Water	Sewer	Total
Purification and disposal:			
Salaries - permanent employees - regular	$ 140,370	$ 124,830	$ 265,200
Salaries - permanent employees - overtime	17,657	18,664	36,321
Other wages	1,400	-	1,400
Terminal pay and sick leave	8,829	1,716	10,545
OASI	11,996	10,194	22,190
Retirement - current	2,737	2,365	5,102
Worker's compensation Insurance	7,284	3,839	11,123
Unemployment insurance	160	128	288
Employee education and training	-	320	320
Postage, box rent, etc.	1,078	91	1,169
Memberships and registration fees	547	391	938
Advertising	1,887	-	1,887
Electric	322,076	70,254	392,330
Gas	1,468	135	1,603
Telephone and telegraph	6,486	1,054	7,540
Medical and dental	-	100	100
Architectural, engineering, landscaping	5,550	-	5,550
Other professional services	3,367	10,254	13,621
Repair and maintenance - other machinery	11,583	4,159	15,742
Repair and maintenance - building	1,513	930	2,443
Out-of-town expense	139	530	669
Staff local travel	370	407	777
Office supplies and materials	507	1,007	1,514
Small items of equipment	499	1,851	2,350
Agriculture and horticulture	-	35	35
Chemical, laboratory, etc.	52,718	38,520	91,238
Janitorial supplies	722	473	1,195
Clothing and uniforms	1,986	2,136	4,122
Other operating supplies	789	1,455	2,244
Gas, oil, diesel fuel and grease	4	486	490
Motor vehicle parts	-	178	178
Machinery and equipment parts	33,768	10,035	43,803
Painting and plumbing supplies	160	19	179
Consumable tools	42	39	81
Machinery and equipment repairs	-	292	292
NPDES Permit	4,780	6,920	11,700
Office machinery and equipment	3,792	-	3,792
Other machinery and equipment	899	8,716	9,615
Total purification and disposal	647,163	322,523	969,686
Transmission and collection:			
Salaries - permanent employees - regular	157,753	105,169	262,922
Salaries - permanent employees - overtime	28,715	4,759	33,474
Terminal pay and sick leave	5,003	3,251	8,254
OASI	13,872	8,193	22,065
Retirement - current	3,124	1,848	4,972
Worker's compensation insurance	9,312	4,798	14,110
Unemployment insurance	227	143	370
Employee education and training	785	-	785
Postage, box rent, etc.	96	57	153

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF OPERATING EXPENSES - WATER AND SEWER FUND
(Continued)
Fiscal Year Ended June 30, 2016

	Water	Sewer	Total
Transmission and collection (Continued):			
Auto licenses and titles	$ 79	$ 34	$ 113
Memberships and registration fees	135	121	256
Advertising	145	73	218
Electric	55,717	13,555	69,272
Telephone and telegraph	23,518	5	23,523
Medical, dental, veterinary expenses	494	212	706
Architectural, engineering and landscaping	7,590	1,440	9,030
Other professional service	1,465	-	1,465
Repair and maintenance - motor vehicles	5,009	2,143	7,152
Repair and maintenance - other machinery	822	3,669	4,491
Repair and maintenance - building	-	12	12
Out of town expense	54	-	54
Office supplies and materials	126	-	126
Small items of equipment	1,407	629	2,036
Agriculture and horticulture supplies	339	408	747
Janitorial supplies	162	94	256
Clothing and uniforms	3,620	2,133	5,753
Other operating supplies	669	402	1,071
Gas, oil, diesel fuel and grease	14,747	6,304	21,051
Motor vehicle parts	919	454	1,373
Machinery and equipment parts	3,198	2,334	5,532
Tires, tubes, etc.	3,129	1,341	4,470
Painting and plumbing supplies	143	143	286
Repair parts for water or sewer	22,597	2,297	24,894
Consumable tools	543	242	785
Water meters	2,436	-	2,436
Fire hydrants	360	-	360
Precast concrete slabs	-	7,519	7,519
Cement and concrete products	7	7	14
Plastic pipe	-	2,698	2,698
Crushed stone	4,526	5,330	9,856
Asphalt and asphalt filler	722	309	1,031
Premiums on surety bonds	250	-	250
Other machinery and equipment	4,376	2,666	7,042
Total transmission and collection	378,191	184,792	562,983
Shop and maintenance:			
Electric	4,870	2,087	6,957
Gas	6,109	2,618	8,727
Other professional services	617	265	882
Repairs and maintenance - building	532	235	767
Janitorial supplies	698	299	997
Other operating supplies	50	21	71
Total shop and maintenance	12,876	5,525	18,401
Depreciation	460,380	265,952	726,332
Total operating expenses	$ 2,027,273	$ 1,101,437	$ 3,128,710

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF GENERAL LONG-TERM DEBT
PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2016

Fiscal Year June 30,	General Obligation Bonds Series 2009 City Center		General Obligation Bonds Series 2014 Library		Capital Lease US Bancorp Fire Trucks		Capital Lease Ford Motor Credit Police Vehicles		Capital Lease US Bancorp Police Vehicles		Capital Lease US Bancorp Police Vehicles		Total Principal Requirements	Total Interest Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2017	$ 230,000	$ 259,188	$ 80,000	$ 70,963	$ 140,031	$ 6,797	$ 27,063	$ 1,610	$ 19,138	$ 976	$ 30,310	$ 2,453	$ 526,542	$ 341,987
2018	240,000	252,287	80,000	69,363	142,261	4,567	-	-	19,621	494	31,107	1,657	512,989	328,368
2019	250,000	245,088	85,000	67,763	144,527	2,302	-	-	-	-	31,925	839	511,452	315,992
2020	265,000	237,587	85,000	66,063	-	-	-	-	-	-	-	-	350,000	303,650
2021	280,000	229,638	85,000	64,363	-	-	-	-	-	-	-	-	365,000	294,001
2022	290,000	221,237	90,000	62,663	-	-	-	-	-	-	-	-	380,000	283,900
2023	305,000	211,813	90,000	60,300	-	-	-	-	-	-	-	-	395,000	272,113
2024	320,000	201,900	90,000	57,938	-	-	-	-	-	-	-	-	410,000	259,838
2025	340,000	191,500	95,000	55,575	-	-	-	-	-	-	-	-	435,000	247,075
2026	355,000	180,025	95,000	53,081	-	-	-	-	-	-	-	-	450,000	233,106
2027	370,000	167,600	100,000	50,588	-	-	-	-	-	-	-	-	470,000	218,188
2028	390,000	152,800	105,000	47,588	-	-	-	-	-	-	-	-	495,000	200,388
2029	410,000	137,200	105,000	44,438	-	-	-	-	-	-	-	-	515,000	181,638
2030	430,000	120,800	110,000	41,288	-	-	-	-	-	-	-	-	540,000	162,088
2031	455,000	102,525	115,000	37,438	-	-	-	-	-	-	-	-	570,000	139,963
2032	475,000	83,187	115,000	33,413	-	-	-	-	-	-	-	-	590,000	116,600
2033	500,000	63,000	120,000	29,388	-	-	-	-	-	-	-	-	620,000	92,388
2034	525,000	43,000	125,000	25,188	-	-	-	-	-	-	-	-	650,000	68,188
2035	550,000	22,000	130,000	20,813	-	-	-	-	-	-	-	-	680,000	42,813
2036	-	-	135,000	15,938	-	-	-	-	-	-	-	-	135,000	15,938
2037	-	-	140,000	10,875	-	-	-	-	-	-	-	-	140,000	10,875
2038	-	-	150,000	5,625	-	-	-	-	-	-	-	-	150,000	5,625
	$ 6,980,000	$ 3,122,375	$ 2,325,000	$ 990,652	$ 426,819	$ 13,666	$ 27,063	$ 1,610	$ 38,759	$ 1,470	$ 93,342	$ 4,949	$ 9,890,983	$ 4,134,722

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
WATER AND SEWER FUND

June 30, 2016

Fiscal Year	Tennessee Local Development Authority Loan		Tennessee Local Development Authority Loan		TM Bond Fund Series 1995		Water & Sewer System Rural Development Loan		Tennessee Local Development Authority Loan		Tennessee Local Development Authority Loan	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 59,988	$ 549	$ 37,321	$ 1,714	$ 75,000	$ 12,660	$ 46,215	$ 50,625	$ 69,408	$ 6,072	$ 241,488	$ 28,860
2018	-	-	38,088	946	80,000	10,410	47,740	49,100	70,176	5,304	243,408	26,940
2019	-	-	25,738	285	84,000	8,010	49,314	47,526	70,956	4,524	245,340	25,008
2020	-	-	-	-	89,000	5,490	50,941	45,899	71,736	3,744	247,284	23,064
2021	-	-	-	-	93,999	2,820	52,622	44,218	72,528	2,952	249,240	21,108
2022	-	-	-	-	-	-	54,358	42,482	73,332	2,148	251,220	19,128
2023	-	-	-	-	-	-	56,151	40,689	74,148	1,332	253,212	17,136
2024	-	-	-	-	-	-	58,003	38,837	74,964	516	255,216	15,132
2025	-	-	-	-	-	-	59,917	36,923	6,276	6	257,244	13,104
2026	-	-	-	-	-	-	61,893	34,947	-	-	259,284	11,064
2027	-	-	-	-	-	-	63,935	32,906	-	-	261,336	9,012
2028	-	-	-	-	-	-	66,044	30,796	-	-	263,412	6,936
2029	-	-	-	-	-	-	68,223	28,617	-	-	265,500	4,848
2030	-	-	-	-	-	-	70,473	26,367	-	-	267,600	2,748
2031	-	-	-	-	-	-	72,798	24,042	-	-	202,202	647
2032	-	-	-	-	-	-	75,200	21,640	-	-	-	-
2033	-	-	-	-	-	-	77,680	19,160	-	-	-	-
2034	-	-	-	-	-	-	80,243	16,597	-	-	-	-
2035	-	-	-	-	-	-	82,890	13,950	-	-	-	-
2036	-	-	-	-	-	-	85,624	11,216	-	-	-	-
2037	-	-	-	-	-	-	88,449	8,391	-	-	-	-
2038	-	-	-	-	-	-	91,367	5,473	-	-	-	-
2039	-	-	-	-	-	-	94,381	2,459	-	-	-	-
2040	-	-	-	-	-	-	24,068	133	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-	-
*	-	-	-	-	-	-	-	-	-	-	-	-
	$ 59,988	$ 549	$ 101,147	$ 2,945	$ 421,999	$ 39,390	$ 1,578,529	$ 672,993	$ 583,524	$ 26,598	$ 3,762,986	$ 224,735

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
WATER AND SEWER FUND (Continued)

June 30, 2016

Fiscal Year June 30,	Water Treatment Plant Rural Development Loan		Water Treatment Plant Rural Development Loan		Water & Sewer System Rural Development Loan		Water & Sewer System Rural Development Loan		Total Principal Requirements	Total Interest Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2017	$ 28,046	$ 83,386	$ 17,250	$ 29,118	$ 62,607	$ 112,566	$ 13,147	$ 16,260	$ 650,470	$ 341,810
2018	29,262	82,170	17,775	28,593	64,351	110,822	53,292	64,335	644,092	378,620
2019	30,530	80,902	18,315	28,053	66,143	109,030	54,436	63,191	644,772	366,529
2020	31,633	79,799	18,872	27,496	67,985	107,188	55,604	62,023	633,055	354,703
2021	33,224	78,208	19,446	26,922	69,878	105,295	56,797	60,830	647,734	342,353
2022	34,664	76,768	20,038	26,330	71,824	103,349	58,016	59,611	563,452	329,816
2023	36,166	75,266	20,647	25,721	73,825	101,349	59,261	58,366	573,410	319,859
2024	37,530	73,902	21,275	25,093	75,880	99,293	60,532	57,095	583,400	309,868
2025	39,360	72,072	21,923	24,445	77,994	97,179	61,831	55,796	524,545	299,525
2026	41,066	70,366	22,589	23,779	80,166	95,007	63,158	54,469	528,156	289,632
2027	42,845	68,587	23,276	23,092	82,398	92,775	64,513	53,114	538,303	279,486
2028	44,518	66,914	23,984	22,384	84,693	90,480	65,898	51,729	548,549	269,239
2029	46,632	64,801	24,714	21,654	87,052	88,121	67,312	50,315	559,433	258,356
2030	48,652	62,780	25,466	20,902	89,476	85,697	68,756	48,871	570,423	247,365
2031	50,761	60,671	26,240	20,128	91,968	83,205	70,231	47,396	514,200	236,089
2032	52,800	58,632	27,038	19,330	94,529	80,644	71,738	45,889	321,305	226,135
2033	55,249	56,183	27,861	18,507	97,162	78,011	73,278	44,349	331,230	216,210
2034	57,643	53,789	28,708	17,660	99,868	75,306	74,850	42,777	341,312	206,129
2035	60,141	51,291	29,581	16,787	102,649	72,524	76,456	41,171	351,717	195,723
2036	62,614	48,818	30,481	15,887	105,508	69,666	78,097	39,530	362,324	185,117
2037	65,461	45,971	31,408	14,960	108,446	66,727	79,773	37,854	373,537	173,903
2038	68,298	43,134	32,363	14,005	111,466	63,707	81,485	36,142	384,979	162,461
2039	71,258	40,174	33,348	13,020	114,570	60,603	83,233	34,394	396,790	150,650
2040	74,245	37,187	34,362	12,006	117,761	57,412	85,019	32,608	335,455	139,346
2041	77,564	33,868	35,407	10,961	121,040	54,133	86,843	30,784	320,854	129,746
2042	80,925	30,507	36,484	9,884	124,411	50,762	88,707	28,920	330,527	120,073
2043	84,432	27,000	37,594	8,774	127,876	47,297	90,610	27,017	340,512	110,088
2044	88,029	23,403	38,737	7,631	131,437	43,736	92,555	25,072	350,758	99,842
2045	91,907	19,526	39,915	6,453	135,098	40,075	94,541	23,086	361,461	89,140
2046	95,890	15,543	41,130	5,238	138,860	36,313	96,570	21,057	372,450	78,151
2047	100,045	11,387	42,381	3,987	142,727	32,446	98,642	18,985	383,795	66,805
2048	104,364	7,068	43,670	2,698	146,702	28,471	100,758	16,869	395,494	55,106
2049	108,390	2,528	44,998	1,370	150,788	24,385	102,921	14,706	407,097	42,989
2050	-	-	21,143	169	154,987	20,186	105,129	12,498	281,259	32,853
2051	-	-	-	-	159,303	15,870	107,385	10,242	266,688	26,112
2052	-	-	-	-	163,740	11,433	109,689	7,938	273,429	19,371
2053	-	-	-	-	168,300	6,873	112,043	5,584	280,343	12,457
2054	-	-	-	-	158,132	2,183	114,447	3,180	272,579	5,363
2055	-	-	-	-	-	-	87,447	773	87,447	773
*	-	-	-	-	-	-	(2,185,434)	-	(2,185,434)	-
	$ 1,974,144	$ 1,702,601	$ 978,419	$ 573,037	$ 4,121,600	$ 2,520,119	$ 879,566	$ 1,404,826	$ 14,461,902	$ 7,167,793

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF WATER AND SEWER RATES, TAP FEES AND NUMBER OF CUSTOMERS

June 30, 2016

	Inside City	Outside City
Normal Water Rates (Monthly Usage)		
First 2,000 gallons (minimum)	$ 9.33	$ 24.36
All over 2,000 gallons (per thousand)	2.65	7.76
New Market Utility District - per thousand gallons (contract rate)		1.98
Shady Grove Utility District - per thousand gallons (contract rate)		1.98
Dandridge Water Department - per thousand gallons (contract rate)		1.98
Normal Sewer Rates (Monthly Usage)		
First 2,000 gallons (minimum)	13.33	38.39
All over 2,000 gallons (per thousand)	4.89	13.39
Tap Fees		
3/4" water service	750.00	1,125.00
1" water service	1,000.00	1,500.00
1 1/2" water service	2,000.00	3,000.00
2" water service	3,000.00	4,500.00
3" water service	4,500.00	6,750.00
4" water service	6,000.00	9,000.00
6" water service	9,000.00	13,500.00
* - all sized sewer taps are equal to water tap fee		
Fire Protection - 4" tap	3,400.00	N/A
Fire Protection - 6" tap	5,100.00	N/A
Fire Protection - 8" tap	6,800.00	N/A
Fire Protection - 10" tap	8,500.00	N/A
Connect Fees		
Residential - owners	30.00	60.00
Residential - renters	60.00	120.00
Apartments	30.00	60.00
Car Washes	60.00	120.00
Laundromats	60.00	120.00
Dry Cleaners	60.00	120.00
Restaurants	60.00	120.00
Other Commercial	60.00	120.00
Industrial	150.00	300.00
Re-connect:		
Non-payment	30.00	60.00
Cut off more than once in a twelve month period	100.00	100.00

(Continued)

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF WATER AND SEWER RATES, TAP FEES AND NUMBER OF CUSTOMERS
(Continued)
June 30, 2016

	Inside City	Outside City
Fire Lines		
4" tap	$ 3,400.00	N/A
6" tap	5,100.00	N/A
8" tap	6,800.00	N/A
10" tap	8,500.00	N/A
Meter Test		
3/4" meter	30.00	35.00
1" meter	30.00	35.00
1 1/2" meter	120.00	180.00
2" meter	120.00	180.00
3" meter	240.00	360.00
4" meter	360.00	480.00

Number of Customers	
Water	3,340
Sewer	2,676

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

Fiscal Year Ended June 30, 2016

Tax Year	Property Tax Receivable Balance June 30, 2015	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Property Tax Receivable Balance June 30, 2016	Delinquent Taxes Filed in Chancery Court
2016	$ -	$ 2,016,015	$ -	$ -	$ 2,016,015	$ -
2015	1,902,010	-	5,343	(1,786,540)	120,813	-
2014	75,828	-	18,780	(38,528)	56,080	56,080
2013	40,495	-	95	(8,331)	32,259	32,259
2012	15,373	-	1,675	(3,221)	13,827	13,827
2011	13,679	-	863	(3,244)	11,298	11,298
2010	6,745	-	3,774	(752)	9,767	9,767
2009	8,393	-	605	(6,444)	2,554	2,554
2008	7,258	-	109	(5,290)	2,077	2,077
2007	1,771	-	375	(136)	2,010	2,010
2006	1,169	-	-	-	1,169	1,169
2005	1,091	-	(1,091)	-	-	-
Total	$ 2,073,812	$ 2,016,015	$ 30,528	$ (1,852,486)	$ 2,267,869	$ 131,041

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE

ANALYSIS OF TAX RATES AND ASSESSMENTS

Last Ten Years

Tax Year	Rate	Assessment
2016	1.20	$ 159,862,011
2015	1.15	159,658,931
2014	1.10	171,179,825
2013	0.94	165,361,035
2012	0.94	164,685,617
2011	0.94	161,496,337
2010	0.94	160,959,688
2009	1.00	133,665,211
2008	1.00	133,256,863
2007	1.00	125,607,883

STATISTICAL SECTION

CITY OF JEFFERSON CITY, TENNESSEE
SCHEDULE OF GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Public Works	Sanitation	Health Welfare and Social Services	Culture - Recreation	Drug Investigation and Control	Debt Service	Total
2016	$ 2,204,530	$ 3,142,015	$ 1,042,476	$ 548,571	$ 26,150	$ 1,738,764	$ 29,162	$ 835,030	$ 9,566,698
2015	2,070,169	3,040,656	1,073,282	540,612	26,343	2,823,563	27,697	799,472	10,401,794
2014	1,808,905	3,549,041	1,093,882	692,088	25,923	1,035,627	122,377	500,086	8,827,929
2013	1,770,337	2,681,724	1,082,680	583,686	26,257	925,969	16,766	501,493	7,588,912
2012	1,708,183	2,564,082	898,415	561,778	78,156	823,214	16,447	502,643	7,152,918
2011	1,767,742	2,745,084	1,204,599	537,020	92,689	843,536	63,580	528,849	7,783,099
2010	6,990,305	2,680,227	797,940	513,191	26,119	880,753	39,710	590,515	12,518,760
2009	5,244,707	2,449,197	797,243	462,549	77,593	937,658	24,629	419,839	10,413,415
2008	2,006,078	2,329,465	842,596	394,676	21,518	873,370	33,546	310,043	6,811,292
2007	1,519,266	1,839,468	670,787	359,150	70,536	790,508	23,368	408,590	5,681,673

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
SCHEDULE OF GENERAL GOVERNMENT REVENUES BY SOURCE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes	Licenses	Inter-Governmental	Service Charges	Fines and Forfeitures	Interest and Miscellaneous	Total
2016	$ 5,979,543	$ 35,321	$ 1,484,090	$ 921,490	$ 205,994	$ 954,199	$ 9,580,637
2015	5,646,872	47,434	1,341,452	903,103	206,890	1,262,106	9,407,857
2014	5,475,016	35,456	1,035,354	921,597	201,973	938,820	8,608,216
2013	5,248,410	35,432	894,479	907,179	190,399	870,565	8,146,464
2012	5,327,713	39,026	815,194	888,569	206,610	1,231,847	8,508,959
2011	5,119,607	14,899	1,461,136	842,163	138,694	106,593	7,683,092
2010	4,599,284	27,734	1,140,548	828,917	130,441	76,384	6,803,308
2009	4,717,327	27,432	1,107,488	799,626	219,604	133,490	7,004,967
2008	4,272,538	66,725	1,094,596	744,698	175,399	190,287	6,544,243
2007	3,581,691	57,529	713,121	700,531	237,279	356,335	5,646,486

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy	Total Tax Collections	Percent of Total Tax Collections To Taxes	Outstanding Delinquent Taxes	Percent of Delinquent Taxes To Tax Levy
2016	$ 1,907,353	$ 1,786,540	93.67	$ 120,813	6.33
2015	1,807,686	1,751,606	96.90	56,080	3.10
2014	1,562,886	1,530,627	97.94	32,259	2.06
2013	1,561,803	1,547,976	99.11	13,827	0.89
2012	1,537,442	1,526,144	99.27	11,298	0.73
2011	1,527,581	1,517,814	99.36	9,767	0.64
2010	1,347,491	1,344,937	99.81	2,554	0.19
2009	1,332,449	1,330,372	99.84	2,077	0.16
2008	1,258,986	1,256,976	99.84	2,010	0.16
2007	845,685	844,516	99.86	1,169	0.14

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Assessed Value	Estimated Actual Value
2016	$ 159,862,011	$ 496,849,331
2015	159,658,931	484,622,006
2014	171,179,825	493,404,111
2013	165,361,035	494,581,806
2012	161,496,337	488,588,904
2011	160,959,688	487,337,510
2010	133,665,211	413,176,976
2009	133,256,863	409,942,378
2008	125,607,883	384,176,443
2007	124,143,422	376,370,315

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(PER $100 OF ASSESSED VALUE)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Jefferson City	Jefferson County	Total
2016	1.20	2.35	3.55
2015	1.15	2.35	3.50
2014	1.10	2.15	3.25
2013	0.94	2.15	3.09
2012	0.94	2.05	2.99
2011	0.94	2.05	2.99
2010	1.00	2.29	3.29
2009	1.00	2.29	3.29
2008	1.00	2.07	3.07
2007	0.68	1.83	2.51

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Debt Payable From Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (%)	Net Bonded Debt Per Capita
2016	8,624	$ 159,658,931	$ 27,908,999	$ 17,257,063	$ 10,651,931	6.67	$ 1,235.14
2015	8,624	164,710,096	28,833,169	17,838,534	10,994,635	6.68	1,274.89
2014	8,624	164,352,576	21,258,016	11,428,016	9,830,000	5.98	1,139.84
2013	8,624	164,685,617	19,059,987	11,459,987	7,600,000	4.61	881.26
2012	8,624	161,496,337	19,676,170	11,858,922	7,817,248	4.84	906.45
2011	8,624	160,959,688	19,070,898	11,042,878	8,028,020	4.99	930.89
2010	8,624	133,665,211	14,050,596	5,794,041	8,259,655	6.18	957.75
2009	8,624	133,256,863	14,523,284	6,103,231	8,420,053	6.32	976.35
2008	8,624	125,607,883	6,274,319	5,285,449	988,870	0.79	114.66
2007	8,624	124,143,422	6,627,647	5,560,557	1,067,089	0.86	123.73

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
Last Ten Fiscal years
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total Expenditures (Percentage)
2016	$ 484,815	$ 350,215	$ 835,030	$ 9,566,698	8.73
2015	434,899	364,573	799,472	10,401,794	7.69
2014	223,674	276,412	500,086	8,827,929	5.66
2013	217,251	284,242	501,493	7,588,912	6.61
2012	210,772	291,871	502,643	7,152,918	7.03
2011	228,535	300,314	528,849	7,783,099	6.79
2010	289,166	301,349	590,515	12,518,760	4.72
2009	268,817	151,022	419,839	10,413,415	4.03
2008	269,214	40,829	310,043	6,811,292	4.55
2007	359,666	48,924	408,590	5,681,673	7.19

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
REVENUE BOND COVERAGE -
WATER AND SEWER BONDS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage (%)
2016	$ 3,977,643	$ 3,128,710	$ 848,933	$ 598,213	$ 222,627	$ 820,840	1.03
2015	4,478,189	3,031,132	1,447,057	580,338	184,727	765,065	1.89
2014	4,117,903	2,433,304	1,684,599	614,717	230,176	844,893	1.99
2013	3,835,527	2,306,167	1,529,360	609,185	240,401	849,586	1.80
2012	3,230,145	2,346,284	883,861	584,579	91,093	675,672	1.31
2011	2,832,164	2,288,263	543,901	374,777	93,263	468,040	1.16
2010	2,591,584	2,229,901	361,683	309,190	105,153	414,343	0.87
2009	2,608,648	2,323,007	285,641	304,081	119,012	423,093	0.68
2008	2,600,997	2,205,213	395,784	275,108	157,792	432,900	0.91
2007	2,384,634	2,058,847	325,787	257,080	183,036	440,116	0.74

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Unemployment Rate Percentage
2016	8,624	5.5
2015	8,624	7.0
2014	8,624	8.1
2013	8,624	9.5
2012	8,624	10.5
2011	8,624	11.2
2010	8,624	12.0
2009	8,624	10.8
2008	8,624	6.8
2007	8,624	4.3

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
PROPERTY VALUE AND CONSTRUCTION
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Commercial Construction		Residential Construction		Property Value	
	Number of Units	Value	Number of Units	Value	Commercial	Residential
2016	16	$ 20,501,000	19	$ 846,404	$ 1,335,886,901	$ 79,136,505
2015	18	4,131,900	22	1,162,936	1,333,385,901	78,290,101
2014	15	2,811,075	16	406,422	129,254,001	77,127,165
2013	19	6,069,487	17	356,312	126,442,926	76,720,743
2012	13	976,400	19	610,300	120,373,439	76,364,431
2011	6	2,799,000	21	1,268,600	119,397,039	75,754,131
2010	3	7,360,060	15	785,000	116,598,039	74,485,531
2009	6	8,896,000	31	3,210,225	109,237,979	73,700,531
2008	8	13,204,106	12	1,172,700	100,341,979	70,490,306
2007	4	2,616,825	20	1,952,000	87,137,873	69,317,606

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
SCHEDULE OF PRINCIPAL TAXPAYERS
June 30, 2016
(Unaudited)

Taxpayer	Type of Business	Assessed Valuation	Taxes Paid
Jefferson City 1031, LLC (M Block & Sons)	Industry	$ 6,111,040	$ 70,277
Teachers Retirement System (Wal-Mart Supercenter)	Retail	4,775,280	54,916
Appalachian Electric Cooperative	Utility	4,019,666	46,226
Matsuo Industries, USA Inc.	Industry	3,782,910	43,503
Cherokee Too Apartments/Partnership	Rental	3,769,703	43,352
Lowe's Home Centers, Inc.	Retail	3,456,558	39,750
SNH SE Properties Trust (Chandler House)	Healthcare	2,201,040	25,949
Nashua	Industry	1,940,417	22,315
Jefferson City Real Estate (Life Care Center)	Healthcare	1,646,680	18,937
Brown Trucking Company	Industry	1,618,893	18,617

See independent auditor's report.

CITY OF JEFFERSON CITY, TENNESSEE
MISCELLANEOUS STATISTICS
June 30, 2016
(Unaudited)

Date of incorporation	February 7, 1901
Form of government	Council - Manager
Area	3.94 square miles
	2,522 acres
Miles of streets	69
State roads	13
Local roads	56
Number of street lights	1,085
Fire protection:	
Number of stations	1
Number of firemen and officers (exclusive of volunteer firemen)	17
Police protection:	
Number of stations	1
Number of policemen	24
Municipal water department:	
Number of consumers	3,370
Average daily consumption	3,600,000
Miles of water mains	206
Municipal sewer department:	
Miles of sanitary sewers	86
Miles of storm drains	52
Building permits issued	36
Sign permits issued	19
Recreation and culture:	
Parks	4
Libraries	1
Volumes	15,300
Recreation facilities	3
Employees:	
Full-time	110
Part-time	65
City manager and department heads	8
City council	5

See independent auditor's report.

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association
Copyright © 2014, All Rights Reserved

Click to access definition
Click to add a comment

Water Audit Report for: City of Jefferson City (0000328)
Reporting Year: 2015 7/2015 - 6/2016

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Enter grading in column 'E' and 'J'

WATER SUPPLIED

				Master Meter and Supply Error Adjustments		
				Pcnt:	Value:	
Volume from own sources:	9	1,462.000	MG/Yr	10	1.00%	MG/Yr
Water Imported:	8	0.000	MG/Yr			MG/Yr
Water exported:	8	0.000	MG/Yr			MG/Yr
WATER SUPPLIED:		1,447.525	MG/Yr			

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Click here for help using option buttons below

				Pcnt:	Value:	
Billed metered:	9	1,328.000	MG/Yr			
Billed unmetered:	7	0.000	MG/Yr			
Unbilled metered:	1	0.000	MG/Yr			
Unbilled unmetered:		18.094	MG/Yr	1.25%		MG/Yr

Use buttons to select percentage of water supplied OR value

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 1,346.094 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 101.431 MG/Yr

Apparent Losses

				Pcnt:	Value:	
Unauthorized consumption:		3.619	MG/Yr	0.25%		MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	4	0.000	MG/Yr			MG/Yr
Systematic data handling errors:		3.320	MG/Yr	0.25%		MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 6.939 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 94.492 MG/Yr

WATER LOSSES: 101.431 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 119.525 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	6	206.0	miles
Number of active AND inactive service connections:	6	3,360	
Service connection density:		16	conn./mile main
Are customer meters typically located at the curbstop or property line?		Yes	
Average length of customer service line:			(length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:	6	50.0	psi

COST DATA

Total annual cost of operating water system:	8	$2,120,265	$/Year	
Customer retail unit cost (applied to Apparent Losses):	8	$13.20	$/1000 gallons (US)	
Variable production cost (applied to Real Losses):	9	$902.45	$/Million gallons	☑ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 78 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Customer metering inaccuracies
2: Volume from own sources
3: Unauthorized consumption

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association
Copyright © 2014, All Rights Reserved

Water Audit Report for: City of Jefferson City (0000328)
Reporting Year: 2016 | 7/2015 - 6/2016

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 78 out of 100 ***

System Attributes:

	Apparent Losses:	6.939	MG/Yr
+	Real Losses:	94.492	MG/Yr
=	**Water Losses:**	**101.431**	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	29.54	MG/Yr
	Annual cost of Apparent Losses:	$91,592	
	Annual cost of Real Losses:	$1,247,293	Valued at **Customer Retail Unit Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	8.3%	
	Non-revenue water as percent by cost of operating system:	74.4%	Real Losses valued at Customer Retail Unit Cost
Operational Efficiency:	Apparent Losses per service connection per day:	5.66	gallons/connection/day
	Real Losses per service connection per day:	N/A	gallons/connection/day
	Real Losses per length of main per day*:	1,256.71	gallons/mile/day
	Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	94.49	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.20	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

INTERNAL CONTROL AND COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards and State Financial Assistance

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Accompanying Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

CITY OF JEFFERSON CITY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
Federal Awards			
U.S. Department of Agriculture			
Rural Utilities Services			
Water and Waste Disposal Systems for Rural Communities	10.760	Loan #12	$ 2,808,478
Water and Waste Disposal Systems for Rural Communities	10.760	Loan #14	601,823
Total Program 10.760			3,410,301
U.S. Department of Transportation			
Pass-through from Tennessee Department of Transportation			
Highway Planning and Construction - Sidewalk Construction and Reconstruction	20.205	STP-EN-4500(22)	221,369
Highway Planning and Construction - Resurfacing Project	20.205	STP-M-9106(13)	3,276
Highway Planning and Construction - LED Traffic Signal Replacement	20.205	STP-M-34(77)	4,922
Highway Planning and Construction - ITS Signal Coordination	20.205	CM-9106(14)	16,940
Total Program 20.205			246,507
Traffic & Alcohol Enforcement Grant	20.600	Z16GHS172	30,964
Pass-through from Tennessee Emergency Management Agency			
Highway Planning and Construction - Resurfacing Project	20.703	34101-35616	6,986
Total U.S. Department of Transportation			284,457
U.S. Department of Homeland Security			
Federal Emergency Management Agency			
Pass-through from Tennessee Emergency Management Agency			
Public Assistance Grant Award - FEMA-4211-DR-TN	97.036	34101-12616	21,156
Total Federal Awards			3,715,914
State Financial Assistance			
Tennessee Department of Environment and Conservation			
Used Oil Collection and Recycling Grant	N/A	32701-02230	12,013
Tennessee Emergency Management Agency			
Public Assistance Grant Award - FEMA-4211-DR-TN	N/A	34101-12616	1,867
Pass-Through from Jefferson County, Tennessee			
2015 Hazardous Materials Emergency Preparedness Grant	N/A	N/A	7,200
Total State Financial Assistance			21,080
Total Federal and State Awards and Financial Assistance			$ 3,736,994

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

CITY OF JEFFERSON CITY, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

Fiscal Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes federal and state loan and grant award activity of the City under programs of the federal and state governments for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Jefferson City, Tennessee.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The City has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE C – LOANS OUTSTANDING

At June 30, 2016, there was an outstanding balance of $1,578,529 on a loan through the USDA – Rural Utilities Service. The loan was 100% federally funded. There were no loan advances during the fiscal year ended June 30, 2016. Payments totaling $96,840 were made during the year ended June 30, 2016; of that amount, $44,739 was a reduction in principal and $52,101 represented interest.

At June 30, 2016, there was an outstanding balance of $1,974,144 on a loan through the USDA – Rural Utilities Service. The loan was 100% federally funded. There were no loan advances during the fiscal year ended June 30, 2016. Payments totaling $111,432 were made during the year ended June 30, 2016; of that amount, $26,913 was a reduction in principal and $84,519 represented interest.

At June 30, 2016, there was an outstanding balance of $978,419 on a loan through the USDA – Rural Utilities Service. The loan was 100% federally funded. There were no loan advances during the fiscal year ended June 30, 2016. Payments totaling $46,368 were made during the year ended June 30, 2016; of that amount, $16,741 was a reduction in principal and $29,627 represented interest.

At June 30, 2016, there was an outstanding balance of $4,121,600 on a loan through the USDA – Rural Utilities Service. The loan was 100% federally funded. Loan advances during the fiscal year ended June 30, 2016 totaled $2,808,478, which appear on the schedule of expenditures of federal awards and state financial assistance. Payments totaling $14,858 were made during the year ended June 30, 2016; of that amount, $5,400 was a reduction in principal and $9,458 represented interest.

At June 30, 2016, there was an outstanding balance of $879,566 on a loan through the USDA – Rural Utilities Service. The loan was 100% federally funded. Loan advances during the fiscal year ended June 30, 2016 totaled $601,823, which appear on the schedule of expenditures of federal awards and state financial assistance. There were no payments made during the year ended June 30, 2016.

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601
www.bjmpc.com

JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council
City of Jefferson City, Tennessee
Jefferson City, Tennessee

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jefferson City, Tennessee as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Jefferson City, Tennessee's basic financial statements and have issued our report thereon dated April 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jefferson City, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jefferson City, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Jefferson City, Tennessee's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

□ □ □

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jefferson City, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-001

Purpose of this Report

The purpose of this report solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown John & McDaniel, PC

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
April 28, 2017

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601
www.bjmpc.com

JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Council
City of Jefferson City, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Jefferson City, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Jefferson City, Tennessee's major federal programs for the year ended June 30, 2016. The City of Jefferson City, Tennessee's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Jefferson City, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jefferson City, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Jefferson City, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Jefferson City, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

□ □ □

Report on Internal Control over Compliance

Management of the City of Jefferson City, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Jefferson City, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson City, Tennessee's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown Jake & McDaniel, PC

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
April 28, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

A. An unmodified opinion was issued on the basic financial statements of the City of Jefferson City, Tennessee for the year ended June 30, 2016.

B. Internal control over financial reporting:

Material weakness(es) identified? ___ yes _X_ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes _X_ none reported

C. Our audit disclosed one instance of noncompliance considered by us to be material to the financial statements. See item II following.

D. Internal control over major programs:

Material weakness(es) identified? ___ yes _X_ no

Significant deficiency(ies)) identified that are not considered to be material weakness(es)? ___ yes _X_ none reported

E. An unmodified opinion was issued on compliance for the City of Jefferson City, Tennessee's major programs.

F. The audit disclosed no audit findings relating to major programs required to be reported under 2 CFR Section 200.516(a).

G. We identified the following major federal assistance program:

CFDA No. 10.760 – U.S. Department of Agriculture – Rural Utilities Services – Water and Waste Disposal Systems for Rural Communities

H. The threshold for distinguishing between Type A and Type B programs was $750,000.

I. The auditee was not determined to be a low risk auditee.

II. SUMMARY OF FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED BY *GOVERNMENT AUDITING STANDARDS*

Finding # 2016-001: Expenditures exceeded appropriations approved by the city council in five of forty-five departments in the General Fund and also in the Capital Projects Fund. These deficiencies occurred because management did not properly monitor its budget compliance.

Recommendation: We recommend that all expenditures be reviewed for proper appropriation prior to disbursement. The city council should pass a formal budget amendment before excess expenditures are made.

Management's Response: We concur. These excess expenditures were insignificant in four of the five General Fund departments and in the Capital Projects Fund as mentioned above. The fire protection and control department budget was exceeded by $91,056. The Chief of the Department provided the following explanation:

> *"The Fire Department had two employees injured and out on Worker's Compensation for an extended amount of time during the 2015-16 FY Cycle. These two employees counted for approximately seventy-five (75) 24-hour shifts which had to be covered to adequately provide emergency response services to the citizens. These shifts were covered by part-time employees and by full-time employees working overtime."*

III. SUMMARY OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF JEFFERSON CITY, TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year findings.