NEW ISSUE
BOOK-ENTRY-ONLY

Ratings: S&P Global Rating – BAM insured "AA"
"A+" (Underlying)
(See "MISCELLANEOUS-Rating")

OFFICIAL STATEMENT

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

$34,735,000
BEDFORD COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2019

Dated: April 12, 2019. Due: April 1 (as shown on the inside cover)

The $34,735,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds") of Bedford County, Tennessee (the "County" or the "Issuer") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on October 1, 2019 and thereafter on each April 1 and October 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 County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

Bonds maturing April 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after April 1, 2026.

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by John Bobo, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about April 12, 2019.

Cumberland Securities Company, Inc.
Municipal Advisor

March 14, 2019

$34,735,000
BEDFORD COUNTY, TENNESSEE

General Obligation Refunding Bonds, Series 2019

Due (April 1)	Amount	Interest Rate	Yield		CUSIP**	Due (April 1)	Amount	Interest Rate	Yield		CUSIP**
2020	$ 1,560,000	5.00%	1.62%		076077 QC3	2029	$ 1,815,000	3.00%	2.48%	c	076077 QM1
2021	1,605,000	5.00%	1.68%		076077 QD1	2030	1,865,000	3.00%	2.63%	c	076077 QN9
2022	1,690,000	5.00%	1.70%		076077 QE9	2031	1,920,000	3.00%	2.78%	c	076077 QP4
2023	1,765,000	5.00%	1.73%		076077 QF6	2032	1,975,000	3.00%	2.90%	c	076077 QQ2
2024	1,855,000	5.00%	1.81%		076077 QG4	2033	2,035,000	3.00%	3.00%		076077 QR0
2025	1,945,000	5.00%	1.93%		076077 QH2	2034	2,095,000	3.00%	3.10%		076077 QS8
2026	2,045,000	5.00%	2.00%		076077 QJ8	2035	2,155,000	3.00%	3.15%		076077 QT6
2027	2,140,000	4.00%	2.06%	c	076077 QK5	2036	2,220,000	3.00%	3.20%		076077 QU3
2028	1,770,000	3.00%	2.33%	c	076077 QL3	2037	2,280,000	3.00%	3.25%		076077 QV1

c = Yield to call on April 1, 2026.

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

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

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

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

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.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM supplied by BAM and presented under the heading "APPENDIX D – BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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

BEDFORD COUNTY, TENNESSEE

OFFICIALS

Chad Graham	*County Mayor*
Robert Daniel	*Finance Director*
Donna Thomas	*County Clerk*
John Bobo	*County Attorney*

BOARD OF COUNTY COMMISSIONERS

William Anderson III	Jimmy Patterson
Janice Brothers	Sylvia Pinson
John Brown	Julie Sanders
Ed Castleman	Brent Smith
Anita Epperson	Tony Smith
Phillip Farrar	Jeff Sweeney
Brian Farris	Mark Thomas
Don Gallagher	Greg Vick
Chasity Gunn	Linda Yockey

UNDERWRITER

Robert W. Baird & Co., Incorporated
Milwaukee, Wisconsin

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Glankler Brown, PLLC
Memphis, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

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

The Issuer	Bedford County, Tennessee (the "County" or "Issuer"). See the section entitled "Supplemental Information Statement" for more information.
Securities Offered	$34,735,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds") of the County, dated the date of delivery April 12, 2019. The Bonds will mature each April 1 beginning April 1, 2020 through April 1, 2037, inclusive. See the section entitled "SECURITIES OFFERED – Authority and Purpose".
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the County. 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 (i) the purpose of refinancing, in whole or in part, certain Outstanding Debt (as defined herein) of the County; 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 April 1, 2026, in whole or in part at any time, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)
Rating	S&P Global Ratings: BAM Insured "AA". S&P Global Ratings underlying rating: "A+". See the section entitled "MISCELLANEOUS - Rating" for more information.
Underwriter	Robert W. Baird & Co., Incorporated, Milwaukee, Wisconsin.
Municipal Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Municipal Advisor; Related Parties; Other", herein.
Bond Counsel	Glankler Brown, PLLC, Memphis, Tennessee.
Book-Entry-Only	The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry System"
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").

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

Other Information ....The information in this *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 more information concerning the County or this *Official Statement* contact Mayor Chad Graham, 1 Public Square, Suite 101, Shelbyville, Tennessee 37160, (931) 684-7944; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

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

	2014	2015	2016	2017	2018
Beginning Fund Balance	$14,318,245	$13,859,000	$12,514,835	$11,875,734	$12,342,249
Revenues	18,540,480	17,906,186	18,278,945	19,712,258	20,829,067
Expenditures	18,288,991	19,502,568	19,097,216	19,300,304	19,712,690
Other Financing Sources:					
Insurance Recovery	-	97,533	-	-	-
Transfers In	-	368,302	-	54,561	78,116
Transfers Out	-	(213,618)	(205,830)	-	-
Bond & Note Proceeds	(710,734)	-	385,000	-	-
Net Change in Fund Balances	(459,245)	(1,344,165)	(639,101)	466,515	1,194,493
Ending Fund Balance	**$13,859,000**	**$12,514,835**	**$11,875,734**	**$12,342,249**	**$13,536,742**

Source: Comprehensive Annual Financial Reports of the County.

$34,735,000
BEDFORD COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2019

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Bedford County, Tennessee (the "County" or "Issuer") of its $34,735,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the "Resolution") duly adopted by the County Commission of the County on March 12, 2019.

The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Debt (as defined herein) of the County; 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.

REFUNDING PLAN

The County is proposing to issue the Bonds to refinance the City's outstanding: (1) General Obligation Improvement, Series 2006, December 14, 2006, maturing April 1, 2020 and thereafter (the "Series 2006 Bonds"); and (2) General Obligation School Bonds, Series 2007, dated as of June 14, 2007, maturing April 1, 2020 through April 1, 2025, inclusive, April 1, 2028, April 1, 2032 and April 1, 2037 (the "Series 2007 Loan"). The Outstanding Debt will be called for redemption within 90 days of the closing.

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

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery April 12, 2019. Interest on the Bonds will be payable semi-annually on April 1 and October 1, commencing October 1, 2019. The Bonds are issuable in book-entry only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

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

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

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

MUNICIPAL BOND INSURANCE

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Build America Mutual Assurance Company. ("BAM"). See "APPENDIX D - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

OPTIONAL REDEMPTION OF THE BONDS

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

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

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

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

NOTICE OF REDEMPTION

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

PAYMENT OF BONDS

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

BASIC DOCUMENTATION

REGISTRATION AGENT

The Bond Registration and Paying Agent, Regions Bank, Nashville, Tennessee, its successor (the "Registration Agent") or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described in the following section entitled "Book-Entry-Only System".

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of

U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P's rating of AA+. The DTC rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent, the Municipal 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 County, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Debt until and through the redemption date therefor shall be transferred to the paying agent and/or trustee for the Outstanding Debt to be held to the earliest optional redemption date and used for the payment and retirement of the Outstanding Debt; and

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

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

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

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

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

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REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

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

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

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

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

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

Bonds or affect the market price of the Bonds. See also "CHANGES IN FEDERAL AND STATE LAW" below in this heading.

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AA" (Stable Outlook) to the Bonds with the understanding that upon delivery of the Bonds, a policy guaranteeing the payment when due of the principal of and interest on the Bonds will be issued by Build America Mutual. Such rating reflects only the views of such organization and explanations of the significance of such rating should be obtained from such agency. Additionally, S&P has assigned the Bonds an underlying rating of "A+".

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

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on March 14, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated March 1, 2019.

The successful bidder for the Bonds was an account led by Robert W. Baird & Co., Incorporated, Milwaukee, Wisconsin (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $36,309,435.39 (consisting of the par amount of the Bonds, plus a premium of $1,833,357.45 and less an underwriter's discount of $258,922.06) or 104.532706% of par plus accrued interest, if any, to the date of delivery.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt at this time. The County closed on a $1,000,000 Capital Outlay Note in February to renovate space as a county annex. The County has ongoing needs that may or may not require the issuance of additional debt.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, Part 1 *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. (see DEBT STRUCTURE - Indebtedness and Debt Ratios for additional information.)

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2019 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by SEC Rule 15c2-2. The County does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the County, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

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

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

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

4. The fund balances and retained earnings for the fiscal year as shown on page B-11;

5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-12;

6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-18;

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

8. The ten largest taxpayers as shown on page B-19.

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the

occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

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

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders, if material;

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

   i. Defeasances;

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

   k. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

ADDITIONAL INFORMATION

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

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

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

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

The County has deemed this OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12.

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CERTIFICATION OF ISSUER

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

/s/ Chad Graham
County Mayor

ATTEST:

/s/ Donna Thomas
County Clerk

APPENDIX A

PROPOSED FORM OF LEGAL OPINION

(LETTERHEAD OF GLANKLER BROWN, PLLC)

(Date of Closing)

Board of County Commissioners
of Bedford County, Tennessee
1 Public Square, Suite 101
Shelbyville, TN 37160

Re: $34,735,000 General Obligation Refunding Bonds, Series 2019 of Bedford County, Tennessee

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Bedford County, Tennessee (the “County”), of $34,735,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2019 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

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

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

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

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

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

Very truly yours,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Bedford County (the "County") is located in the south central part of Tennessee and is bordered by Rutherford County to the north, Coffee County to the east, Moore County to the south and Marshall County to the west. The City of Shelbyville (the "City"), the county seat, is approximately 56 miles south of Nashville. Other cities in the County include Bell Buckle, Normandy and Wartrace.

GENERAL

Land area in the County totals 474 square-miles of which 92 percent is farmland. The leading crops grown in the County are corn, soybeans, wheat, corn and hay. Bedford County is well known for its cattle and horse farms and is the home each August to the Tennessee Walking Horse National Celebration. The County's economy has diversified in recent years with the addition of several light manufacturing facilities that make products ranging from automobile components to wearing apparel.

Shelbyville was designated a Micropolitan Statistical Area (the "mSA") in 2004. A Micropolitan Statistical Area is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents. According to the 2010 U.S. Census, the population of the County grew from 30,536 in 1990 to 45,058 or approximately 47.6 percent. The population of the City was 20,335 according to the 2010 US Census.

The City is also part of the Nashville-Murfreesboro-Columbia Combined Statistical Area (the "CSA") which includes Bedford, Cannon, Cheatham, Davidson, Dickson, Hickman, Lawrence, Macon, Marshall, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson and Wilson Counties. According to the 2010 Census, the CSA had a population of 1,674,191. The City of Nashville, the State Capital, is the largest city in the CSA with a population of 626,681 according to the 2010 Census.

GOVERNMENT

The County provides education, law enforcement, ambulance and health services. Approximately 662 miles of County roads are maintained by the County highway department, and sanitation services are provided through the County solid waste authority. Most utility services are provided by local municipalities and utility districts. The chief administrative officer of the County is the County Mayor who is elected to a four-year term. The County legislative body is the Board of County Commissioners which currently consists of 18 members serving four-year terms.

TRANSPORTATION

Transportation facilities in the County include U.S. Highway 41-A and 231 and State Highways 10, 16, 64, 82 and 130. The Walking Horse and Eastern Railroad provides local rail services. The nearest port is in Nashville on the Cumberland River. The Bomar Field-Shelbyville

Municipal Airport provides general aviation services through a 5,000-foot runway and accommodates 100 flights each day and houses more than 50 planes. Commercial air service is accessed through the Metropolitan Nashville International Airport about 50 miles away.

SCHOOL SYSTEM

The *Bedford County School System* consists of 14 schools: seven elementary schools, one magnet school, three middle schools, and three high schools. The County also has a vocational annex, Bedford County Learning Academy which houses an alternative program to learning, and a Central Office. The fall 2017 enrollment was 8,488 students with about 489 teachers.

Source: Comprehensive Annual Financial Reports and Auditors Reports for Bedford County, Tennessee.

The Tennessee College of Applied Technology at Shelbyville. The Tennessee College of Applied Technology at Shelbyville (the "TCAT-S") is part of a statewide system of 26 vocational-technical schools. The TCAT-S meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-S serves the south central region of the state including Bedford, Franklin, Marshall and Moore Counties. The TCAT-S began operations in 1964, and the main campus is located in Bedford County. Fall 2016 enrollment was 901 students.

Source: Tennessee College of Applied Technology at Shelbyville.

Bedford County also has an Adult Learning Center and is at the site of MTSU South, a regional campus for Middle Tennessee State University. Shelbyville is located approximately 20 miles from Motlow Community College in Moore County.

Source: Shelbyville Times-Gazette.

MEDICAL FACILITIES

Tennova Healthcare – Shelbyville (formerly Heritage Medical Center). Tennova Healthcare in Shelbyville officially opened in summer of 2008. Tennova Healthcare is a $40 million, 104-bed facility with more than 20 active medical staff members. Tennova Healthcare offers a full range of services including 24-hour emergency care, cardiopulmonary/respiratory services (EKG, pulmonary function, stress testing), childbirth preparatory classes, critical care, diabetic classes, dietary services and nutritional counseling, home health services, laboratory services, labor and delivery, medical imaging (bone densitometry, ct scanner, mammography, MRI, nuclear medicine, ultrasound), physical therapy, surgery (inpatient/outpatient), sleep disorder center, and more.

Tennova Healthcare - Shelbyville is owned and operated by Tennova Healthcare. Tennova Healthcare was acquired by of one of the largest for-profit hospital companies in the country, Community Health Systems, Inc. (the "CHS"). CHS is one of the nation's leading operators of general acute care hospitals based in Brentwood, TN. The organization's affiliates own, operate or lease 127 hospitals in 20 states with approximately 21,000 licensed beds. There are sixteen CHS hospitals in Tennessee.

Source: Community Health Systems and Shelbyville Times-Gazette.

MANUFACTURING AND COMMERCE

Shelbyville is known as "The Pencil City" because of its historical importance to pencil manufacturing. The City is the home of the Sharpie, the world's largest selling writing instrument, produced by Sanford Corporation. The County has a favorable business climate, and is a center in south central Tennessee for manufacturing (Calsonic Kansei, Sanford Corporation, Bemis Custom Products, Josten's, and many others), agri-business (Tyson Foods), and distribution.

Major Employers located in Bedford County

Company	Product/Service	Employment
Tyson Foods Inc.	Poultry Processing	1,339
Calsonic Mfg. Corp.	Cooling/Heating/Exhaust Systems	1,181
Bedford County Schools	Education	1,034
Newell Rubbermaid / Sanford	School Supplies	800
National Pen Corp.	Pencils/Pens	605
Wal-Mart Distribution Center	Retail	500
Bedford County	Government	330
Heritage Medical Center	Hospital	320
Albea (Pechniney, Alcan)	Plastic Tubes	308
Chassix	Steering	187
Century Mold Co. Inc.	Plastic Injection Molding	160
City of Shelbyville	Government	150
Coriscana Bedding Inc.	Mattresses box springs	135
Cooper Steel	Steel Fabrication	90
Musgrave Pencil Company	Pencil Manufacturer	85

Source: Middle Tennessee Industrial Development Association and the County Audit - 2018.

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EMPLOYMENT

The unemployment rate for the Shelbyville mSA and Bedford County as of November 2018 was 3.5% representing 20,290 persons employed out of a workforce of 21,020.

As of November 2018, the unemployment rate in the Nashville-Murfreesboro CSA stood at 2.7%, representing 1,066,710 persons employed out of a workforce of 1,096,190. The following chart shows unemployment trends for the last five years:

Unemployment

	Annual Average 2013	Annual Average 2014	Annual Average 2015	Annual Average 2016	Annual Average 2017
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
Shelbyville mSA & Bedford County	**9.2%**	**7.5%**	**6.4%**	**5.0%**	**3.9%**
Index vs. National	124	121	121	102	89
Index vs. State	118	114	114	106	105
Nashville-Murfreesboro-CSA	**6.3%**	**5.3%**	**4.6%**	**3.8%**	**3.0%**
Index vs. National	85	85	87	78	68
Index vs. State	81	80	82	81	81

Source: Tennessee Department of Labor and Workforce Development.

ECONOMIC DATA

Per Capita Personal Income

	2013	2014	2015	2016	2017
National	$44,826	$47,025	$48,940	$49,831	$51,640
Tennessee	$39,549	$40,977	$42,810	$43,932	$45,517
Shelbyville mSA & Bedford County	**$32,051**	**$33,715**	**$34,304**	**$35,256**	**$36,427**
Index vs. National	72	72	70	71	71
Index vs. State	81	82	80	80	80
Nashville-Murfreesboro-CSA	**$45,562**	**$48,090**	**$50,661**	**$52,405**	**$54,696**
Index vs. National	102	102	104	105	106
Index vs. State	115	117	118	119	120

Source: Bureau of Economic Analysis.

Social and Economic Characteristics

	National	Tennessee	Bedford County	Shelbyville
Median Value Owner Occupied Housing	$193,500	$151,700	$129,700	$109,100
% High School Graduates or Higher Persons 25 Years Old and Older	87.30%	86.50%	81.3%	78.5%
% Persons with Income Below Poverty Level	12.30%	15.00%	16.8%	23.8%
Median Household Income	$57,652	$48,708	$47,117	$37,995

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

TOURISM

The historic Tennessee Walking Horse National Celebration Grounds in Shelbyville is home to The Tennessee Walking Horse National Celebration, which takes place each year in late summer for the 11 days ending on the Saturday night before Labor Day. Nearly a quarter of a million tickets are sold to fans from more than 40 states.

The Celebration is housed in a 105-acre complex in Shelbyville with 63 barns, an outdoor stadium that seats approximately 30,000, a 4,400-seat indoor arena and a well-decorated and manicured facility. The Celebration is governed by a seven-member Board of Directors to whom the staff reports. The indoor arena, can seat up to 7,000 people for concerts. This arena holds monster truck shows, circuses, country music concerts, dog shows, car shows, motocross events, rodeos, alpaca shows, etc., in addition to horse shows. It is booked approximately 40 out of the 52 weekends each year.

RECENT DEVELOPMENTS

Calsonic Kansei North America. Nissan's largest North American parts supplier, Calsonic, underwent a $109 million expansion that brought 1,200 new jobs to the region in 2015. The expansion occurred at the company's three Tennessee locations in Lewisburg, Shelbyville and Smyrna. Calsonic's products include automotive climate control electronics, cooling and exhaust systems.

In 2014 the company invested $57.6 million at its Shelbyville facility, which manufactures exhaust units, catalytic converters and manifolds. The company also invested $49.8 million in the Lewisburg location added 526 new jobs. As part of the expansion, the company built a new 300,000-square-foot warehouse facility. Lastly, the firm invested $2.1 million at its Smyrna facility, which is located within the Nissan plant and places Calsonic products into the Nissan vehicles. A total of 183 new jobs were created.

Jostens Inc.. In 2018, Platinum Equity acquired Jostens in Shelbyville from Newell Rubbermaid Brands for approximately $1.3 billion. In 2015 Jostens Inc. was purchased by

Jarden Corp. for $1.5 billion. Jarden Corp. is a consumer products company whose brands include Crock-Pot and Ball canning jars and Yankee Candle products. Then, two months after that purchase, Newell Rubbermaid (one of the County's largest employer) merged with Jarden Corp. for $13.2 billion.

Jostens is based in Minnesota, and produces yearbooks, publications, jewelry and consumer goods that serve the K-12 educational, college and professional sports segments. Established in 1897, Jostens was originally founded to repair customer's keepsake jewelry. Jostens' 2017 net sales were $768 million.

Newell Rubbermaid Brands. Newell laid off 108 employees in 2016 to move most of the packaging function from its packaging and distribution center in Shelbyville to facilities in Maryville and in Mexico.

Source: The Shelbyville Times-Gazette, The Tennessean and the Knoxville News Sentinel.

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BEDFORD COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS
DEBT STRUCTURE

The following section outlines various important factors related to the outstanding debt of the County.

Purpose	Due Date	Interest Rates	Debt Outstanding[1]
$6,500,000 General Obligation Improvement Bonds, Series 2006	Apr 2027	Fixed	$ 3,525,000
$44,000,000 General Obligation School Bonds, Series 2007	Apr 2037	Fixed	34,190,000
$8,405,000 General Obligation School Refunding Bonds, Series 2013	Apr 2023	Fixed	4,595,000
$2,000,000 Capital Outlay Notes, Series 2014	Nov 2019	Fixed	800,000
$2,610,000 General Obligation School Refunding Bonds, Series 2015 (TMBF)	Apr 2025	Fixed	1,930,000
$385,000 Capital Outlay Notes, Series 2016	Jan 2019	Fixed	130,312
$19,275,000 Loan Agreement, Series 2016A[3]	Nov 2036	Variable	18,515,000
$32,750,000 Loan Agreement, Series 2016B[1]	Dec 2036	Variable	32,750,000
$5,000,000 General Obligation Loan Agreement, Series 2017A[5]	Dec 2037	Variable	5,000,000
$4,500,000 General Obligation Loan Agreement , Series 2017B[4]	Nov 2037	Variable	4,500,000
$1,000,000 General Obligation Capital Outlay Note, Series 2019[6]	Mar 2046	Fixed	1,000,000
Total Existing Debt as of June 30, 2018			$ 106,935,312
General Obligation Refunding Bonds, Series 2019	April 2037	Fixed	$ 34,735,000
Less: Bonds Refunded			(36,180,000)
Total Direct Debt			$ 105,490,312

(1) Does not include compensated absences, capitalized leases and may not include the effects of future drawdowns. See the Notes to the Financial Statements herein for additional details.

(2) The above loan reflects the estimated full draw. The total approved was $32,750,000. This loan is fixed for a time period and is subject to a reset in the future. For more information, see the notes to the Financial Statements in the CAFR.

(3) The above loan reflects the estimated full draw. The total approved was $19,275,000. This loan is fixed for a time period and is subject to a reset in the future. For more information, see the notes to the Financial Statements in the CAFR. The County has already made a principal payment on the loan in the amount of $760,000.

(4) The above loan reflects the estimated full draw. The total approved was $4,500,000. This loan is fixed for a time period and is subject to a reset in the future. For more information, see the notes to the Financial Statements in the CAFR.

(5) The above loan reflects the estimated full draw. The total approved was $5,000,000. This loan is fixed for a time period and is subject to a reset in the future. For more information, see the notes to the Financial Statements in the CAFR.

(6) The above note was issued February 26, 2019. First interest payment is due August 2019.

BEDFORD COUNTY, TENNESSEE
INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

The information set forth in the following table is based upon information derived from the CAFR and the table should be read in conjunction with those statements. The table does not include future funding plans of the County, if any.

	For Fiscal Year Ending					After Issuance
INDEBTEDNESS	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
TAX SUPPORTED						
General Obligation Bonds - (1)	$ 56,992,000	$ 55,480,000	$ 51,803,000	$ 48,218,603	$ 106,935,312	$ 105,490,312
TOTAL TAX SUPPORTED	$ 56,992,000	$ 55,480,000	$ 51,803,000	$ 48,218,603	$ 106,935,312	$ 105,490,312
TOTAL DEBT	$ 56,992,000	$ 55,480,000	$ 51,803,000	$ 48,218,603	$ 106,935,312	$ 105,490,312
Less: Revenue Supported Debt	-	-	-	-	-	-
Less: Debt Service Fund Balance	(2,457,620)	(3,535,740)	(4,575,064)	(8,652,306)	(14,510,756)	(14,510,756)
NET DIRECT DEBT	$ 54,534,380	$ 51,944,260	$ 47,227,936	$ 39,566,297	$ 92,424,556	$ 90,979,556
PROPERTY TAX BASE						
Estimated Actual Value	$ 2,864,398,085	$ 2,884,452,505	$ 2,977,966,563	$ 3,160,199,894	$ 3,230,238,837	$ 3,230,238,837
Appraised Value	2,864,398,085	2,884,452,505	2,934,190,455	3,160,199,894	3,230,238,837	3,230,238,837
Assessed Value	813,547,718	818,965,772	836,922,774	899,337,456	918,250,043	918,250,043

Source: Bedford County, Tennessee and the Tax Aggregate Reports.

(1) Does not include compensated absences, capitalized leases or the effects of future drawdowns. See the Notes to the Financial Statements herein for additional details. The outstanding debt is based on the amount drawn on the Series 2016 Loans and Series 2017 Loans as of June 30, 2018.

DEBT RATIOS	For Fiscal Year Ending 2014	2015	2016	2017	2018	After Issuance 2019
TOTAL DEBT to Estimated Actual Value	1.99%	1.92%	1.74%	1.53%	3.31%	3.27%
TOTAL DEBT to Appraised Value	1.99%	1.92%	1.77%	1.53%	3.31%	3.27%
TOTAL DEBT to Assessed Value	7.01%	6.77%	6.19%	5.36%	11.65%	11.49%
NET DIRECT DEBT to Estimated Actual Value	1.90%	1.80%	1.59%	1.25%	2.86%	2.82%
NET DIRECT DEBT to Appraised Value	1.90%	1.80%	1.61%	1.25%	2.86%	2.82%
NET DIRECT DEBT to Assessed Value	6.70%	6.34%	5.64%	4.40%	10.07%	9.91%
PER CAPITA RATIOS						
POPULATION (1)	45,901	46,627	47,484	48,117	48,117	48,117
PER CAPITA PERSONAL INCOME (2)	$33,715	$34,304	$35,256	$36,427	$36,427	$36,427
Estimated Actual Value to POPULATION	$62,404	$61,862	$62,715	$65,677	$67,133	$67,133
Assessed Value to POPULATION	$17,724	$17,564	$17,625	$18,691	$19,084	$19,084
Total Debt to POPULATION	$1,242	$1,190	$1,091	$1,002	$2,222	$2,192
Net Direct Debt to POPULATION	$1,188	$1,114	$995	$822	$1,921	$1,891
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.68%	3.47%	3.09%	2.75%	6.10%	6.02%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.52%	3.25%	2.82%	2.26%	5.27%	5.19%

(1) POPULATION data according to the U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the Bureau of Economic Analysis.

BEDFORD COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS

FY Ended	Estimated as of June 30, 2018 Existing General Obligation Bonds (1)			Less: Bonds Being Refunded			General Obligation Refunding Bonds, Series 2019			% 2019 Principal	Estimated Total Bonded Debt Service Requirements (1) & (2)			% All Principal
6/30	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Repaid	Principal	Interest	TOTAL	Repaid
2019	$ 5,328,279	$ 4,027,801	$ 9,356,080	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	$ 5,328,279	$ 4,027,801	$ 9,356,080	5.05%
2020	5,867,000	3,183,487	9,050,487	(1,590,000)	(1,619,463)	(3,209,463)	1,560,000	1,272,638	2,832,638		5,837,000	2,836,662	8,673,662	
2021	5,650,000	3,024,429	8,674,429	(1,660,000)	(1,555,169)	(3,215,169)	1,605,000	1,234,750	2,839,750		5,595,000	2,704,010	8,299,010	
2022	5,839,000	2,861,403	8,700,403	(1,730,000)	(1,486,419)	(3,216,419)	1,690,000	1,154,500	2,844,500		5,799,000	2,529,484	8,328,484	
2023	6,031,000	2,689,303	8,720,303	(1,800,000)	(1,411,381)	(3,211,381)	1,765,000	1,070,000	2,835,000	19.06%	5,996,000	2,347,922	8,343,922	27.07%
2024	5,193,000	2,511,307	7,704,307	(1,880,000)	(1,333,306)	(3,213,306)	1,855,000	981,750	2,836,750		5,168,000	2,159,750	7,327,750	
2025	5,357,000	2,348,751	7,705,751	(1,955,000)	(1,251,744)	(3,206,744)	1,945,000	889,000	2,834,000		5,347,000	1,986,007	7,333,007	
2026	5,212,000	2,182,651	7,394,651	(2,045,000)	(1,168,838)	(3,213,838)	2,045,000	791,750	2,836,750		5,212,000	1,805,563	7,017,563	
2027	5,214,000	2,008,868	7,222,868	(2,130,000)	(1,072,088)	(3,202,088)	2,140,000	689,500	2,829,500		5,224,000	1,626,281	6,850,281	
2028	4,904,000	1,833,975	6,737,975	(1,745,000)	(971,275)	(2,716,275)	1,770,000	603,900	2,373,900	47.14%	4,929,000	1,466,600	6,395,600	51.60%
2029	5,060,000	1,670,838	6,730,838	(1,825,000)	(884,025)	(2,709,025)	1,815,000	550,800	2,365,800		5,050,000	1,337,613	6,387,613	
2030	5,217,000	1,510,998	6,727,998	(1,905,000)	(801,900)	(2,706,900)	1,865,000	496,350	2,361,350		5,177,000	1,205,448	6,382,448	
2031	5,381,000	1,345,707	6,726,707	(1,990,000)	(716,175)	(2,706,175)	1,920,000	440,400	2,360,400		5,311,000	1,069,932	6,380,932	
2032	5,548,000	1,174,689	6,722,689	(2,075,000)	(626,625)	(2,701,625)	1,975,000	382,800	2,357,800		5,448,000	930,864	6,378,864	
2033	5,726,000	997,871	6,723,871	(2,170,000)	(533,250)	(2,703,250)	2,035,000	323,550	2,358,550	74.81%	5,591,000	788,171	6,379,171	76.80%
2034	5,908,000	814,783	6,722,783	(2,265,000)	(435,600)	(2,700,600)	2,095,000	262,500	2,357,500		5,738,000	641,683	6,379,683	
2035	6,095,000	625,324	6,720,324	(2,365,000)	(333,675)	(2,698,675)	2,155,000	199,650	2,354,650		5,885,000	491,299	6,376,299	
2036	6,290,000	429,271	6,719,271	(2,470,000)	(227,250)	(2,697,250)	2,220,000	135,000	2,355,000		6,040,000	337,021	6,377,021	
2037	6,491,000	226,325	6,717,325	(2,580,000)	(116,100)	(2,696,100)	2,280,000	68,400	2,348,400	100.00%	6,191,000	178,625	6,369,625	99.41%
2038	624,000	16,242	640,242	-	-	-	-	-	-		624,000	16,242	640,242	100.00%
	$ 106,935,279	$ 35,484,022	$ 142,419,301	$ (36,180,000)	$ (16,544,281)	$ (52,724,281)	$ 34,735,000	$ 11,547,238	$ 46,282,238		$ 105,490,279	$ 30,486,979	$ 135,977,258	

NOTES:

(1) Does not include compensated absences, capitalized leases. See the Notes to the Financial Statements herein for additional details. The outstanding debt is based on the expected full draw of the Series 2016 Loans and Series 2017 Loans. Also includes the General Obligation Capital Outlay Notes, Series 2019, dated February 26, 2019.

(2) True Interest Cost 2.839%.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Governmental, Expendable Trust and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Funds where expenditures determine the eligibility for grants recognize revenue at the time of the expenditures. Grant proceeds received prior to meeting the aforementioned revenue recognition policy are recorded as deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include (1) principal and interest on general long-term debt which is recognized when due; and (2) accumulated non-vested sick pay which is not accrued. The primary revenue susceptible to accrual is the local option sales tax. Sales tax collected and held by the State at year end on behalf of the County is recognized as revenue.

All governmental funds and, expendable trust funds are accounted for using a current financial resource measurement focus. 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 or vested, 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	**2014**	**2015**	**2016**	**2017**	**2018**
Governmental Funds:					
General	$13,859,000	$12,514,835	$11,875,734	$12,342,249	$13,536,742
General Debt Service	2,457,620	3,535,740	4,575,064	8,652,306	14,510,756
Highway/Public Works	942,724	1,729,952	929,315	1,475,239	1,467,779
Other Governmental	401,096	22,152	24,991	402,412	127,218
Total	**$17,660,440**	**$17,802,679**	**$17,405,104**	**$22,872,206**	**$29,642,495**

Source: Comprehensive Annual Financial Reports and Auditors Reports for Bedford County, Tennessee.

BEDFORD COUNTY, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund

	For the Fiscal Year Ended June 30				
	2014	**2015**	**2016**	**2017**	**2018**
Revenues:					
Taxes	$ 11,031,602	$ 11,055,910	$ 11,305,679	$ 11,963,126	$ 12,746,780
Licenses and Permits	148,734	185,493	234,641	288,902	323,266
Fines, Forfeitures & Penalties	472,637	474,330	464,664	459,726	501,907
Charges for Services	2,427,204	1,861,881	2,020,274	2,816,462	2,722,447
Other Local Revenues	876,967	951,592	535,205	549,561	561,003
Fees Recv'd from County Officials	1,847,897	1,882,048	2,103,166	2,262,130	2,365,056
State of Tennessee	1,452,211	1,408,938	1,517,579	1,289,310	1,363,192
Federal Government	283,228	85,994	97,737	83,041	105,416
Other Governments & Citizen Groups	-	-	-	-	140,000
Total Revenues	$ 18,540,480	$ 17,906,186	$ 18,278,945	$ 19,712,258	$ 20,829,067
Expenditures:					
General Administration	$ 1,556,066	$ 1,557,454	$ 1,561,130	$ 1,597,425	$ 1,707,629
Finance	1,636,393	1,651,339	1,617,844	1,749,834	1,847,940
Administration of Justice	1,792,622	1,859,036	1,926,553	1,939,387	2,052,188
Public Safety	7,465,438	7,508,059	7,923,637	7,948,959	8,179,072
Public Health and Welfare	4,208,827	4,395,761	4,220,633	4,490,206	4,605,430
Social, Cultural and Recreation Services	167,090	1,167,090	167,090	162,150	157,210
Agriculture and Natural Resources	230,609	245,158	246,322	245,974	242,476
Other General Government	853,106	1,118,671	1,434,007	1,166,369	920,745
Capital Outlay	-	-	-	-	-
General Government - Debt Service	-	-	-	-	-
Capital Projects	378,840	-	-	-	-
Total Expenditures	$ 18,288,991	$ 19,502,568	$ 19,097,216	$ 19,300,304	$ 19,712,690
Excess of Revenues Over (Under) Expenditures	$ 251,489	$ (1,596,382)	$ (818,271)	$ 411,954	$ 1,116,377
Other Financing Sources (Uses):					
Transfers In	$ -	$ 368,302	$ -	$ 54,561	$ 78,116
Transfers Out	-	(213,618)	(205,830)	-	-
Insurance Recovery	-	97,533	-	-	-
Bond & Note Proceeds	(710,734)	-	385,000	-	-
Total	$ (710,734)	$ 252,217	$ 179,170	$ 54,561	$ 78,116
Excess of Revenues Over (Under) Expenditures & Other Uses	$ (459,245)	$ (1,344,165)	$ (639,101)	$ 466,515	$ 1,194,493
Fund Balance July 1	14,318,245	13,859,000	12,514,835	11,875,734	12,342,249
Residual Equity Transfers	-	-	-	-	-
Fund Balance June 30	**$ 13,859,000**	**$ 12,514,835**	**$ 11,875,734**	**$ 12,342,249**	**$ 13,536,742**

Source: Comprehensive Annual Financial Reports of Bedford County, Tennessee

BUDGETARY PROCESS

The County is required by State statute to adopt annual operating budgets. The general fund, special revenue funds, and debt service funds are budgeted on a basis so that current available funds are sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed initial or revised appropriations authorized by the County Commission. Unencumbered appropriations at the end of each fiscal year lapse.

The County's budgetary basis of accounting are consistent with generally accepted accounting principles (GAAP) except where encumbrances are treated as budgeted expenditures and with the exception of non-budgeted funds.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County 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. Unless deposited in a financial institution participating in the State Consolidated Collateral Pool, all demand deposits or Certificates of Deposit must be secured by similar grade collateral (such as direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit) pledged at 105% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits.

All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for the administration of all County investments.

Prevailing State law does not allow cities or counties in the State to invest in reverse repurchase agreements or unusual “derivative" products.

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 values 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 I 0 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 for Tennessee, property in the County reflected a ratio of appraised value to true market value of 1.00 percent resulting from a County-wide reappraisal which was effective as of January 1, 2016. Real property values have been indexed to market value based on sales ratio studies and other acceptable information consistent with the foregoing statutory requirements. Public utility assessments have been equalized and certified by the Tennessee Regulation Authority after adjustment for the results of sales studies. The following table shows pertinent data for tax year 2017[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Actual Value
Public Utilities	$ 55,485,708	55%	$ 127,099,841
Commercial, Industrial and Mineral	193,178,735	40%	483,047,000
Personal Tangible Property	83,596,100	30%	278,653,396
Residential, Farm and Open Space	585,989,500	25%	2,341,438,600
Total	**$918,250,043**		**$3,230,238,837**

Source: Tax Aggregate Report for Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2018 (tax year 2017) is $918,250,043 compared to $899,337,456 for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is $3,230,238,837 compared to $3,160,199,894 for tax year 2016.

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[1] The tax year coincides with the calendar year, therefore tax year 2017 is actually fiscal year 2017-2018.

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

PROPERTY TAX RATES AND COLLECTIONS						**Aggregate Uncollected Balance**	
Tax Year[1]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount Collected**	**Pct**	**as of June 30, 2018 Amount**	**Pct**
2014	$818,965,772	$2.27	$18,604,967	$17,603,674	94.6%	N/A	
2015	836,922,774	2.27	19,036,967	18,159,672	95.4%	N/A	
2016	899,337,456	2.52	22,699,009	21,657,688	95.4%	N/A	
2017	918,250,043	2.56	23,504,698	22,570,828	96.0%	$933,870	4.0%
2018	951,344,800*	2.56	24,354,427*	**IN PROGRESS**			

* Estimated
[1] The tax year coincides with the calendar year, so tax year 2018 (for example) is actually fiscal year 2018-2019.
Source: Tax Aggregate Report for Tennessee and the Comprehensive Annual Financial Reports and Auditors Reports for Bedford County, Tennessee.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2018 (tax year 2017[2]), the ten largest taxpayers in the County are as follows:

	Taxpayer	**Product/Service**	**Assessment**	**Percentage of Total**
1.	Calsonic Manufacturing	Automotive	$ 32,282,391	3.5%
2.	Duck River Electric	Utility	20,733,030	2.2%
3.	Wal Mart Stores	Retail	15,494,003	1.7%
4.	Tennova (Shelbyville Hospital)	Hospital	11,506,160	1.2%
5.	Tyson Food	Poultry Process	9,917,286	1.1%
6.	Twist Beauty Packaging	Plastics Mfg.	8,943,243	1.0%
7.	Sanford Corporation	Specialty Items	7,308,385	0.8%
8.	Bemis	Plastics Mfg.	6,070,412	0.6%
9.	SMW Automotive	Automotive	5,712,490	0.6%
10.	CSX Transportation	Railroad	4,421,635	0.5%
	TOTAL		**$122,389,035**	**13.1%**

Source: Comprehensive Annual Financial Reports and Auditors Reports for Bedford County, Tennessee.

[2] The tax year coincides with the calendar year, so tax year 2017 (for example) is actually fiscal year 2017-2018.

LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended, (the "Sales Tax Act"), the County levies a county-wide local option sales tax. Under the Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under State law to two and three-fourths percent (2 3/4%).

Pursuant to the Sales Tax Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

The revenues from the County-wide sales taxes are distributed pursuant to the provisions of the Sales Tax Act and other provisions of the *Tennessee Code Annotated*. Fifty percent (50 percent) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized public school systems in the county in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections are divided between the general fund of the county in which the taxes are collected and all incorporated cities or Counties in such county based upon the sites of collection unless a separate agreement has been ratified concerning the distribution of these funds. The distribution of the County-wide sales tax for the most recent fiscal years was as follows:

Fiscal Year	County General Fund	Debt Service Fund	General Purpose School Fund	City Funds	County Total [1]
2014	$198,098	$5,231,276	$2,013,271	$3,617,096	$11,059,741
2015	221,997	5,527,144	2,122,059	3,772,615	11,643,815
2016	243,432	5,829,277	2,240,465	3,972,210	12,285,384
2017	252,474	6,166,301	2,383,873	4,190,720	12,993,368
2018	273,366	6,469,155	2,478,316	4,421,456	13,642,293

(1) Does not include Trustee Commission.
Source: Comprehensive Annual Financial Reports and Auditors Reports for Bedford County, Tennessee.

In the spring of 2001, County voters approved an increase of one percent in the Local Option Sales Tax. Accordingly, the new rate is two and three-fourths percent (2 ¾%) or the maximum authorized by current State law. Proceeds of this increase have been pledged and will be used to pay debt service related to the County's on-going school building program as noted herein.

The Sales Tax Act authorizes a local jurisdiction, by resolution of its governing body to pledge proceeds raised by the power and authority granted by the Sales Tax Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent.

Pursuant to Section 67-6-712(a)(3), *Tennessee Code Annotated*, the County and the Board of Education have formally pledged all or such portion of the revenues received by the County from the one cent (1¢) additional Local Option Sales and Use Tax adopted and approved in the County effective August 1, 2001, up to the amount necessary to pay principal of, premium, if any, and interest on the Bonds to assure the punctual payment of the principal of and interest on the Bonds, equally and ratably with such pledge securing the County's General Obligation School Bond Series 2003 and the County's General Obligation School Bond Series 2005.

COUNTY SCHOOL FACILITY TAX

General. Pursuant to the County Powers Relief Act codified at Title 67, Chapter 4 of *Tennessee Code Annotated* (the "Relief Act"), on November 13, 2006, the County adopted a $1.00 School Facility Tax which was effective on January 2, 2007 (the "School Facilities Tax"). To the extent allowed by law, the County has pledged the proceeds from the School Facility Tax as additional security for the Bonds.

Background. The purpose of the Relief Act is to assist Tennessee county governments with rapid population growth since such growth inevitably leads to the need for additional facilities and capital expenses for county K-12 education systems.

The Relief Act authorizes "growth counties" to impose a "county school facilities tax" on residential development within its jurisdiction. In order for a county to meet the criteria of a "growth county" and impose a School Facilities Tax, a county must have experienced a twenty percent or greater population increase between the last two federal censuses or between any subsequent federal censuses or a county must have experienced a nine percent or greater increase in population during the period from 2000 to 2004 or over any subsequent four year period.

If a county qualifies as a "growth county" and desires to enact a School Facilities Tax, then the county is required to adopt a capital improvement plan for its school facilities. The maximum rate that a county can levy under the Relief Act is currently one dollar per square foot of total heated or cooled residential living space. If a county levies less than one dollar per square foot, then the School Facility Tax rate may not be increased for four years. At the end of four years or succeeding four year intervals, a county may increase the School Facilities Tax rate but by not more than by ten percent; however, the maximum rate may not exceed one dollar.

Administration of the School Facilities Tax is linked to the building permit system, but the School Facility Tax is not due for payment until the earlier of one year from the date the permit was awarded or upon sale of the property. Failure to pay the School Facilities Tax when due makes any person or entity ineligible to receive other building permits until such time all obligations due are satisfied. The Relief Act requires all funds collected from the School Facilities Tax to be used exclusively for funding growth-related capital expenditures for education, including the retirement of bonded indebtedness.

The Relief Act establishes the exclusive authority for counties to adopt any new or additional adequate facilities taxes on development. Accordingly, the past practice of seeking a Private Act for local adoption for similar growth related taxes is no longer an option. Counties that levy a development tax or impact fee by Private Act under prior law may continue to do so, but such levies and fees may not be altered by future Private Acts of the State General Assembly.

Additionally, those counties may not levy the School Facility Tax unless they repeal existing taxes or impact fees authorized by pre-existing Private Acts.

PENSION PLAN

Employees of the County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (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 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 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 the County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information on the funding status, trend information and actuarial status of the County's retirement programs, please refer to the appropriate Notes to Financial Statements located in the Annual Audit Report of the County of the County located in APPENDIX C. Additional information regarding TCRS may be obtained electronically by accessing the following address: www.treasury.state.tn.us

OTHER POST-EMPLOYMENT BENEFITS

The County does not currently provide post retirement benefits to its employees or its retirees other than the aforementioned retirement program.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

BEDFORD COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

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

Comprehensive Annual Financial Report

Bedford County, Tennessee

For the Year Ended June 30, 2018

Tennessee Comptroller of the Treasury

Division of Local Government Audit

COMPREHENSIVE ANNUAL FINANCIAL REPORT

BEDFORD COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 4

SHERRIE GILL, CFE
EDUARDO SEBASTIAN, JR
CHRISVONTA SMITH
State Auditors

ROBERT DANIEL, CPA
Finance Director
Bedford County, Tennessee

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

BEDFORD COUNTY, TENNESSEE
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Summary of Audit Findings

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

Scope

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

Results

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

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

Finding

The following is a summary of the audit finding:

OFFICES OF HIGHWAY SUPERINTENDENT AND FINANCE DIRECTOR

- Appropriations exceeded estimated available funding in the Highway/Public Works Fund.

INTRODUCTORY SECTION

BEDFORD COUNTY, TENNESSEE

Letter of Transmittal

November 5, 2018

To the Honorable Chad Graham, County Mayor,
Board of County Commissioners, and Citizens of
Bedford County, Tennessee

The Comprehensive Annual Financial Report of Bedford County, Tennessee, for the year ended June 30, 2018, is hereby submitted as required by state statutes. These statutes require that all local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by the State of Tennessee's Comptroller of the Treasury, Division of Local Government Audit, or by independent public accountants within six months of the close of each fiscal year. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Bedford County, Tennessee. This report was prepared by the county's Finance Department in conjunction with the above state agency.

Management assumes full responsibility for the completeness and reliability of all the information contained in this report based upon a comprehensive internal control framework that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State of Tennessee's Comptroller of the Treasury, Division of Local Government Audit has issued an unmodified ("clean") opinion on the financial statements of Bedford County, Tennessee, for the fiscal year ended June 30, 2018. The independent auditor's report is presented at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the report of the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Bedford County was established on December 4, 1807, by Public Act of the State of Tennessee. The county is named after Thomas Bedford, Jr., an American Revolutionary War hero. One odd fact about Bedford County is that, if the state senate journal is accurate, in the rush of business to pass the bill to create the county, the state senate failed to read and adopt the bill on three readings on three separate days, which was required by state constitutional provisions to create a Tennessee county. Bedford County is in the southern middle part of the state and borders Rutherford, Lincoln, Coffee, Moore, and Marshall counties. The county has a land mass of approximately 303,148 acres (474 square miles) and serves an estimated population of 48,117.

Bedford County operates as a political subdivision of the state as provided by the Tennessee Constitution. Bedford County, as a political subdivision of the state, is subject to control by the Tennessee General Assembly, and the county has no authority except that expressly given by state statutes. Bedford County is empowered to levy a property tax on both real and personal properties located within its boundaries.

Bedford County operates under a County Mayor – County Commission form of government as provided by state statutes. The Bedford County Commission consists of an 18-member board elected in nine districts within the county. Policymaking and legislative authority is vested in the Bedford County Commission. The County Commission is responsible for various tasks, including but not limited to, adopting the annual budget, setting the property tax levy, appointing various boards and committees, and passing local ordinances. The county mayor is popularly elected for a four-year term and is the county's manager and chief financial officer. He is responsible for carrying out policies and ordinances of the County Commission, overseeing the day-to-day operations of the government, and appointing or recommending for appointment various department heads. In addition, he serves as chairperson of the County Commission and as a member of most committees.

Bedford County provides a full range of essential services, including police and fire protection; solid waste disposal; emergency medical services; emergency management planning; and construction and maintenance of highways, streets, and other infrastructure. Bedford County also is financially responsible for a legally separate school district, which is reported separately within its financial statements. Additional information on this legally separate entity along with the county's other discretely presented component unit can be found in Note I.A. in the notes to the financial statements.

Bedford County is required to adopt an annual budget in compliance with state statutes. The annual budget serves as the foundation for Bedford County's financial planning and control. As required, each department submits an itemized statement of appropriations needed for the upcoming year to the director of finance. Each fiscal year, the director of finance submits a consolidated budget to the Financial Management Committee. According to Section 5-21-110, *Tennessee Code Annotated*, "in preparing the budget, the budget committee may revise, as it deems necessary, the estimates or requests made by the various department officials, offices, institutions, and agencies of the county, but any county official or employee shall be entitled to a hearing before the budget committee with reference to any contemplated changes in the county official's or employee's budget requests or estimates." The proposed budget of the Financial Management Committee is published in a paper of general circulation at least ten days before the Financial Management Committee conducts a public hearing on the budget. The county commission may alter or revise the budget before adoption except for debt service. The county commission adopts a budget before the end of July. The county director of finance, upon the request of a department head, except for salary and benefit related line-items, may transfer appropriations between line-items within a department. Transfers of appropriations between line-items, including salary and related line-items, within a department may be made by the Financial Management Committee. Transfers between departments require the approval of the Bedford County Commission.

Local Economy

Bedford County is predominately a manufacturing and agricultural county. Bedford County also ranks high in the number of manufacturing jobs per capita and is one of the largest manufacturing counties in the state. Major industries located within the Bedford County's boundaries include a hospital, nursing homes, deep chill processing and perishable food distributor, manufacturers of writing instruments, school supplies, printing and engraving supplies, automobile cooling/heating exhausts, retail stores, and several financial institutions. The school system and Bedford County also have a significant economic presence, employing 1,034 teachers, professionals and support staff.

As of July 2018, Bedford County had an estimated labor force of 21,250 with 20,270 employed resulting in a 4.6 percent unemployment rate. Bedford County's unemployment rate is slightly above the state average of 3.5 percent.

Median household incomes within Bedford County are lower than the state as a whole. According to the latest estimate from the US Census Bureau, the state's median household income was $46,574 and the county's was $43,819 in 2016. Bedford County had a population of 48,117. This is an increase of 6.8 percent since the 2010 census. The median price of a single home in Bedford County was $121,700.

Due to its strong financial position, Bedford County has maintained a credit rating of Aa3 from Moody's Investor Service since 2011, which is the highest bond rating in the history of the county and shows the county has a very strong capacity to meet its financial commitments.

There are many significant factors that will undoubtedly contribute to the continued growth of our economy. One factor is that Bedford County is within a day's drive of 75 percent of the nation's markets and only minutes from three major interstates.

The new 231 North Business Park has been completed. It will be a huge benefit as it will provide inexpensive industrial land in the Nashville and Murfreesboro markets. Bedford County is experiencing a boom in construction with the construction of a new Jail/Justice Center and a new Cascade High School. Also, a Popeyes Louisiana Kitchen, Dunkin' Donuts, Speedway and Hardee's are under construction. A whiskey production facility, tasting room, museum and music venue are planned to open at the Sand Creek Farms on Highway 231 North of Shelbyville. The plans also include a new fire station to be built on the property and will be available to serve the area. Permits have been issued for 177 new homes. The City of Wartrace will be receiving Community Development Block Grants (CDBG) for water system improvements in the upcoming year. Construction is currently underway for a 3 1/2-mile segment of Highway 41A, from State Route 276 (Thompson Creek Road) to Jenkins Road, for a cost of $31.8 million. Completion of the current segment is expected by May 2020.

Long-term Financial Planning and Major Initiatives

Unassigned fund balance in the General Fund at year end was 15.7 percent of total General Fund current-year expenditures and exceeds the amount set by policy (three percent of current-year expenditures). The excess is available to cover revenue shortfalls, unanticipated expenditures, and to ensure stable tax rates.

To better serve the needs of the commission and the public, the commission adopted a fund balance policy in the General Debt Service Fund. The policy requires a minimum of three percent of expenditures. The General Debt Service Fund policy requires revenues meet the actual debt requirements. Additionally, the policy of the county requires that at the beginning of each fiscal year, the county will maintain an adequate amount in cash or investments in the debt service fund that will meet cash flow needs. Also, the Bedford County Commission and the Bedford County Financial Management Committee has adopted a county Debt Policy.

Current initiatives include the construction of a Jail facility, Justice Center and a new high school at Cascade and the renovation of the former Regions Bank Building for county offices.

Bedford County adopted the County Financial Management System of 1981 in November 2006. This local option law created a county financial management office. In April 2007, the county hired a certified public accountant as its first director of finance. Through great efforts by the director of finance and his staff, the county prepared financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and received its first unqualified financial statement audit in at least 20 years.

Relevant financial policies

Bedford County has adopted a set of financial management policies. During the current year, none of the policies were particularly relevant. However, the State of Tennessee requires the adoption of a balanced operating budget (i.e. estimated revenues equal to or in excess of appropriations). Estimated revenues of the General Fund were less than appropriations ($18,898,489 v. $21,857,072). In such cases, the appropriation of fund balance is used to close the gap. The amount necessary for this purpose in the original budget was $2,958,583, which increased to $2,999,991 in the final amended budget. However, thanks to increases in revenues and measures taken during the year to control expenditures, Bedford County ultimately had an excess of $803,448 to close the year.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bedford County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the ninth consecutive year that Bedford County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the county had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to conform to the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been possible without the skill, effort and dedication of the entire Department of Finance. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is due to the county mayor and the commission for their unfailing support for maintaining the highest standards of professionalism in the management of Bedford County.

Sincerely,

Robert Daniel

Robert Daniel, CPA, CGFM
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Bedford County

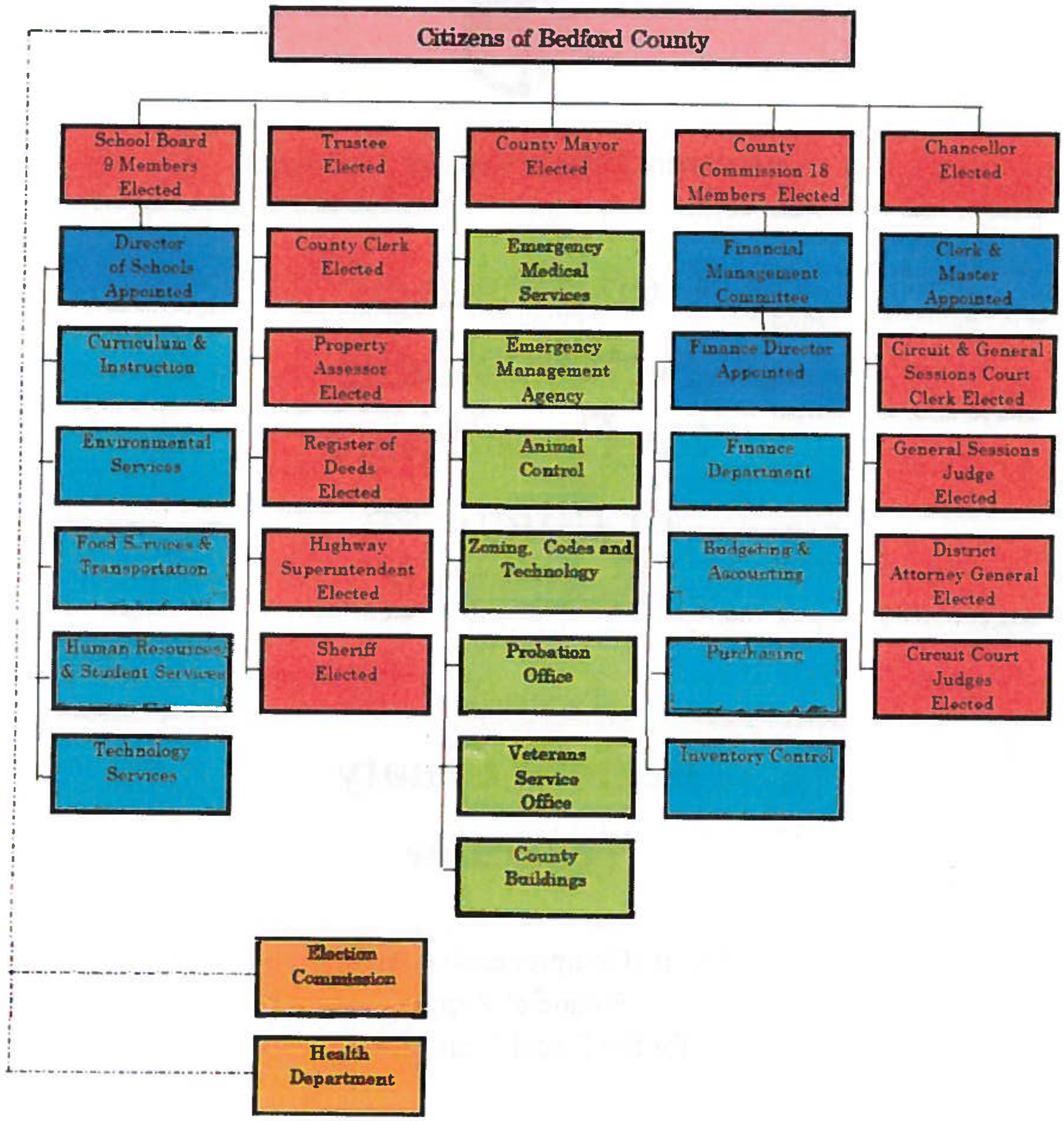
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



Note(s):

-------- : Denotes state appointment

Bedford County Officials
June 30, 2018

Officials

Eugene Ray, County Mayor
Stanley Smotherman, Highway Superintendent
Don Embry, Superintendent of Schools
Tonya Davis, Trustee
Ronda Clanton, Assessor of Property
Donna Thomas, County Clerk
Michelle Murray, Circuit and General Sessions Courts Clerk
Curt Cobb, Clerk and Master
John H. Reed, Jr., Register of Deeds
Austin Swing, Sheriff
Robert Daniel, Director of Finance

Board of County Commissioners

Eugene Ray, County Mayor, Chairman
Don Gallagher
Jimmy Woodson
Jimmy Patterson
Ed Castleman
Randy Clanton
Janice Brothers
Bobby Fox
Phillip Farrar
Bob Davis
Tony Smith
Julie Sanders
Billy King, Jr.
Charles Heflin
Linda Yockey
William Anderson
Jeff Yoes
John Brown
Mark Thomas

Financial Management Committee

Eugene Ray, County Mayor, Chairman
Stanley Smotherman, Highway Superintendent
Don Embry, Superintendent of Schools
Janice Brothers
Jeff Yoes
Don Gallagher
Tony Smith

Audit Committee

Bob Garner, Chairman
Virgil Johnson
Sheila Orrell
Bailey Little
George Bruno

(Continued)

Bedford County Officials (Cont.)

Board of Education

John Boutwell, Chairman
David Brown
Brian Crews
Michael Cook
Diane Neeley
Andrea Anderson
Chad Graham
Amy Martin
Glenn Forsee

Financial Section

Tennessee Comptroller of the Treasury

Justin P. Wilson
Comptroller

Jason E. Mumpower
Chief of Staff

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bedford County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Emergency Communications District of Bedford County which represent two percent, two percent, and one percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Emergency Communications District of Bedford County, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bedford County, Tennessee, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Emphasis of Matter

We draw attention to Note 1.D.10 to the financial statements, which describes restatements decreasing the beginning Governmental Activities net position by $14,716 and $4,201,957 for the primary government and discretely presented school department, respectively. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 33 and the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, and schedule of school's proportionate share of the net pension liability, and schedules of county and school changes in the total OPEB liability and related ratios on pages 124-132 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bedford County's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Bedford County School Department (a discretely presented component unit), miscellaneous schedules and the other information such as the introductory section, management's corrective action plan, and 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 awards is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

The introductory, management's corrective action plan, and statistical sections 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 October 29, 2018, on our consideration of Bedford County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bedford County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bedford County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 29, 2018

JPW/kp

Bedford County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2018

As management for Bedford County, Tennessee, we offer readers of Bedford County's financial statements, this narrative overview and analysis of the financial activities of Bedford County for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of Bedford County exceeded liabilities and deferred inflows at the close of the most recent fiscal year by $10,726,418 (net position). Of this amount, a negative $23,446,283 represents unrestricted net position.
- Bedford County's total net position increased by $16,740 (net of restatement).
- At the close of the current fiscal year, Bedford County's governmental funds reported combined fund balances of $29,642,495, an increase of $6,770,289 in comparison with the prior year. Approximately 10.44 percent of this amount or $3,094,857 is available for spending at the county's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned*, and *unassigned* components of *fund balance*) for the General Fund was $11,539,451, or approximately 58.5 percent of total General Fund expenditures.
- Bedford County's total outstanding long-term debt increased by $8,337,5112 or approximately 16.7 percent during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to Bedford County's basic financial statements. Bedford County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Bedford County's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how Bedford County's net position changed during the most recent fiscal year. 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 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 the government-wide financial statements distinguish functions of Bedford County 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 Bedford County include general government; finance; administration of justice; public safety; public health and welfare; social, cultural, and recreational services; agriculture and natural resources; highway/public works; education; and interest on long-term debt.

The government-wide financial statements include not only Bedford County government itself (known as the *primary government*), but also a legally separate school system for which the Bedford County government is financially accountable. These statements also include a legally separate E-911 district. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A and B of this report.

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. Bedford County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Bedford County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Bedford County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Highway/Public Works, General Debt Service, and General Capital Projects funds, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules of this report.

Bedford County adopts an annual appropriated budget for the primary government's General Fund, most special revenue funds, the General Debt Service Fund, the discretely presented School Department's General Purpose School Fund and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found in Exhibits C-1 through C-6 of this report.

Proprietary funds. Bedford County does not maintain any proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are *not* available to support Bedford County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on Exhibit D of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the table of contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning pension information and other postemployment benefits information. This required information has been presented in the required supplementary information section of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the required supplementary information. Combining and individual fund statements and schedules can be found in the table of contents.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of Bedford County, assets and deferred outflows exceeded liabilities and deferred inflows by $10,726,418 at the close of the most recent fiscal year. The Constitution for the State of Tennessee only allows the local legislative body authorization to issue debt. Therefore, whenever the Bedford County Board of Education requires additional money to fund school construction and equipment, the related debt must be issued by the

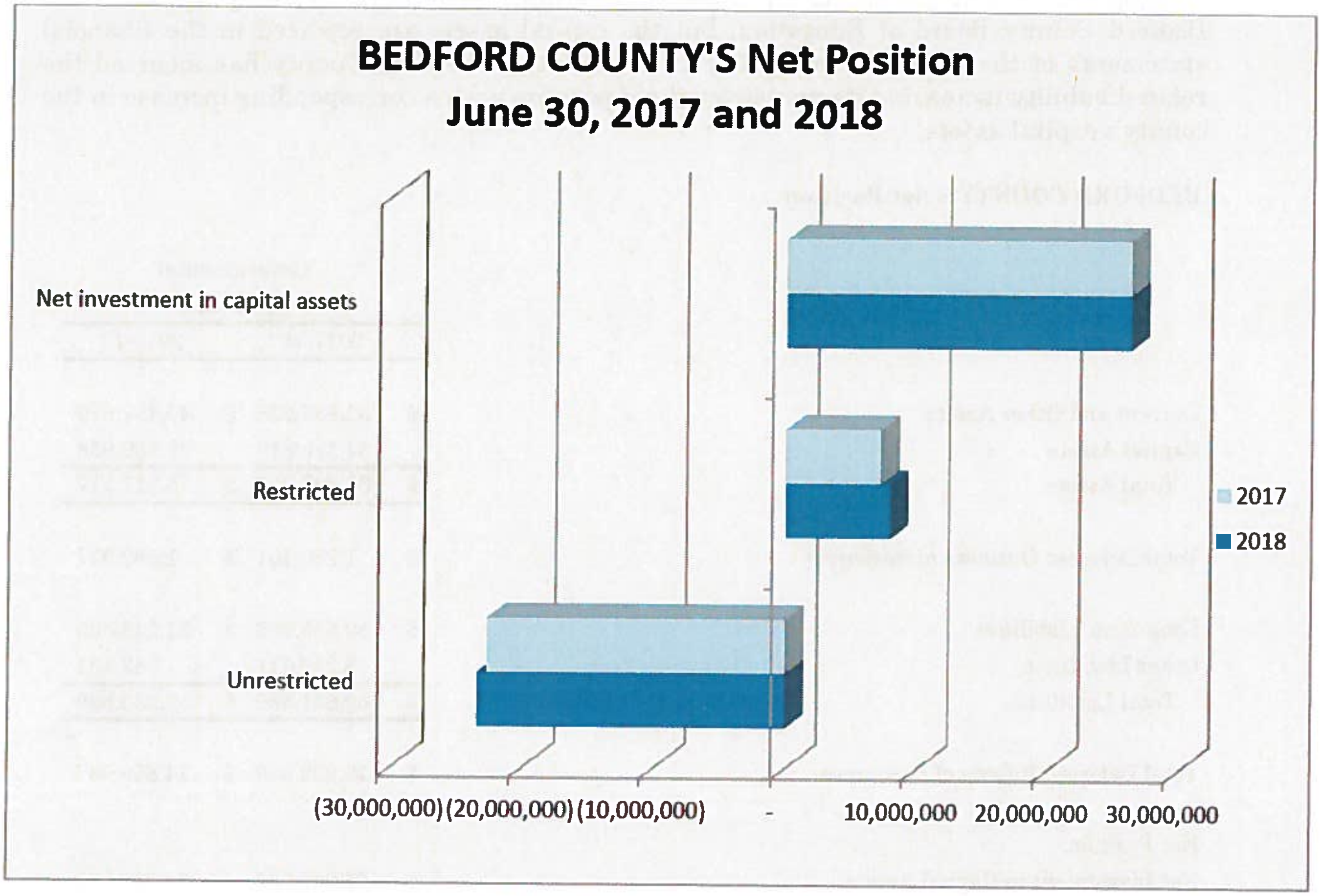
Bedford County government. As of June 30, 2018, Bedford County had outstanding debt totaling $50,658,869 (including unamortized premiums on debt) for capital purposes of the Bedford County Board of Education, but the capital assets are reported in the financial statements of the Bedford County Board of Education. Bedford County has incurred the related liability increasing its unrestricted net position with a corresponding increase in the county's capital assets.

BEDFORD COUNTY'S Net Position

	Governmental Activities	
	2017-18	2016-17
Current and Other Assets	$ 52,955,236	$ 43,457,879
Capital Assets	34,375,816	32,759,638
Total Assets	$ 87,331,052	$ 76,217,517
Total Deferred Outflows of Resources	$ 1,280,151	$ 1,582,937
Long-term Liabilities	$ 59,615,258	$ 51,248,308
Other Liabilities	3,236,611	982,521
Total Liabilities	$ 62,851,869	$ 52,230,829
Total Deferred Inflows of Resources	$ 15,032,916	$ 14,859,947
Net Position:		
Net Investment in Capital Assets	$ 26,247,537	$ 26,243,035
Restricted	7,925,164	7,193,153
Unrestricted	(23,446,283)	(22,726,510)
Total Net Position	$ 10,726,418	$ 10,709,678

By far, the largest portion of Bedford County's net position totaling $26,247,537 reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure). Bedford County uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although Bedford County's investment in 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 Bedford County's net position totaling $7,925,164 represents resources that are subject to external restrictions on how they may be used. Any balance remaining is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.



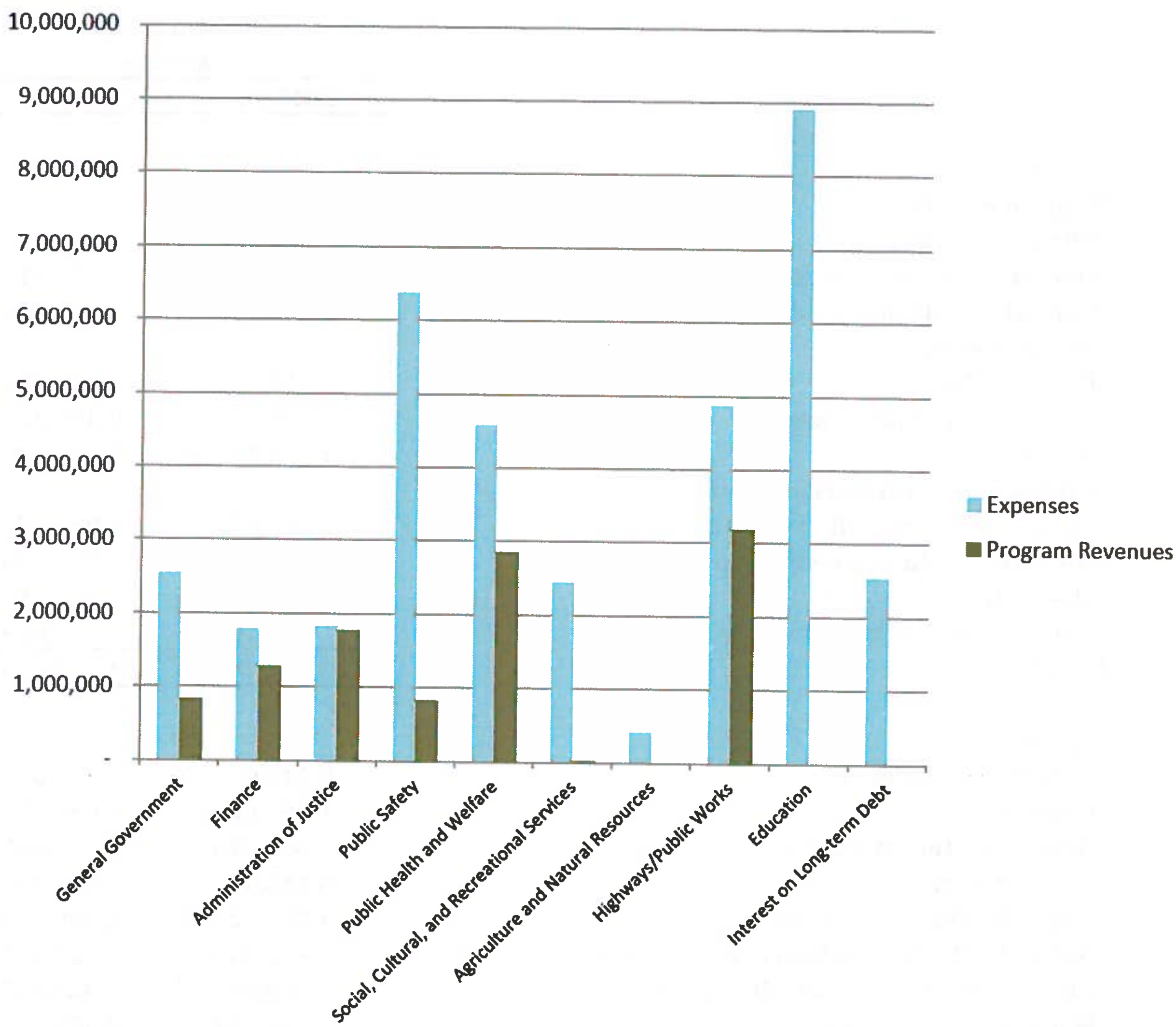
Bedford County's overall net position increased $16,740 (net of restatement) from the prior fiscal year. The reason for this overall increase is discussed in the following section for governmental activities.

Governmental activities. During the current fiscal year, net position for governmental activities increased $16,740 (net of restatement) from the prior fiscal year for an ending balance of $10,726,418. The increase in the overall net position of governmental activities is primarily the result of an increase in collected sales tax due to a stronger economy.

Bedford County's Changes in Net Position

	Governmental Activities	
	2017-18	2016-17
Revenues:		
Program Revenues:		
Charges for Services	$ 6,661,154	$ 7,255,777
Operating Grants and Contributions	3,090,324	2,577,316
Capital Grants and Contributions	1,062,913	827,876
General Revenues:		
Property Taxes	14,552,720	13,941,673
Local Option Sales Taxes	6,752,499	6,465,923
Other Taxes	1,773,540	1,624,970
Grants and Contributions Not Restricted to Specific Programs	1,469,832	1,083,772
Unrestricted Investment Earnings	669,988	212,390
Miscellaneous	277,069	269,350
Gain on Sale of Capital Assets	48,422	1,698
Total Revenues	$ 36,358,461	$ 34,260,745
Expenses:		
General Government	$ 2,546,090	$ 2,813,366
Finance	1,787,627	1,689,421
Administration of Justice	1,832,216	1,857,695
Public Safety	6,383,430	7,458,376
Public Health and Welfare	4,582,425	4,536,744
Social, Cultural, and Recreational Services	2,451,654	1,729,955
Agriculture and Natural Resources	420,259	326,537
Highway/Public Works	4,875,194	2,468,027
Education (Payment to CU)	8,911,000	0
Interest on Long-term Debt	2,537,110	2,042,864
Total Expenses	$ 36,327,005	$ 24,922,985
Increase (Decrease) in Net Position	$ 31,456	$ 9,337,760
Restatement	(14,716)	0
Net position, July 1	10,709,678	1,371,918
Net position, June 30	$ 10,726,418	$ 10,709,678

Expenses and Program Revenues – Governmental Activities

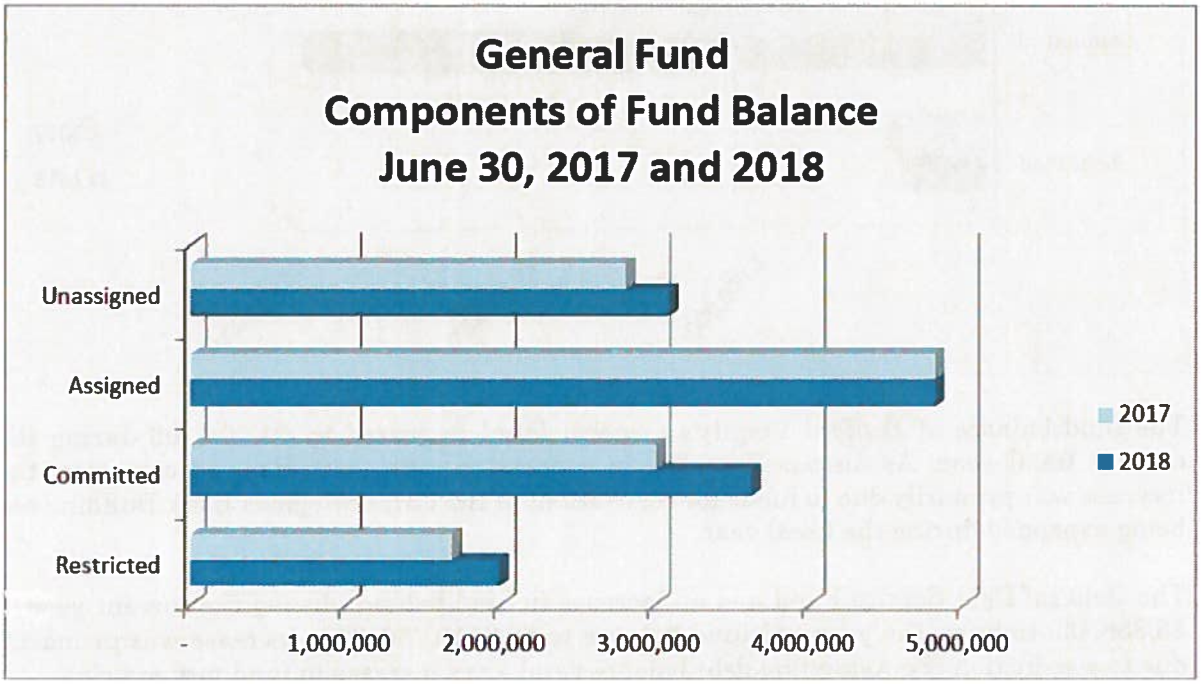


Financial Analysis of the Government's Funds

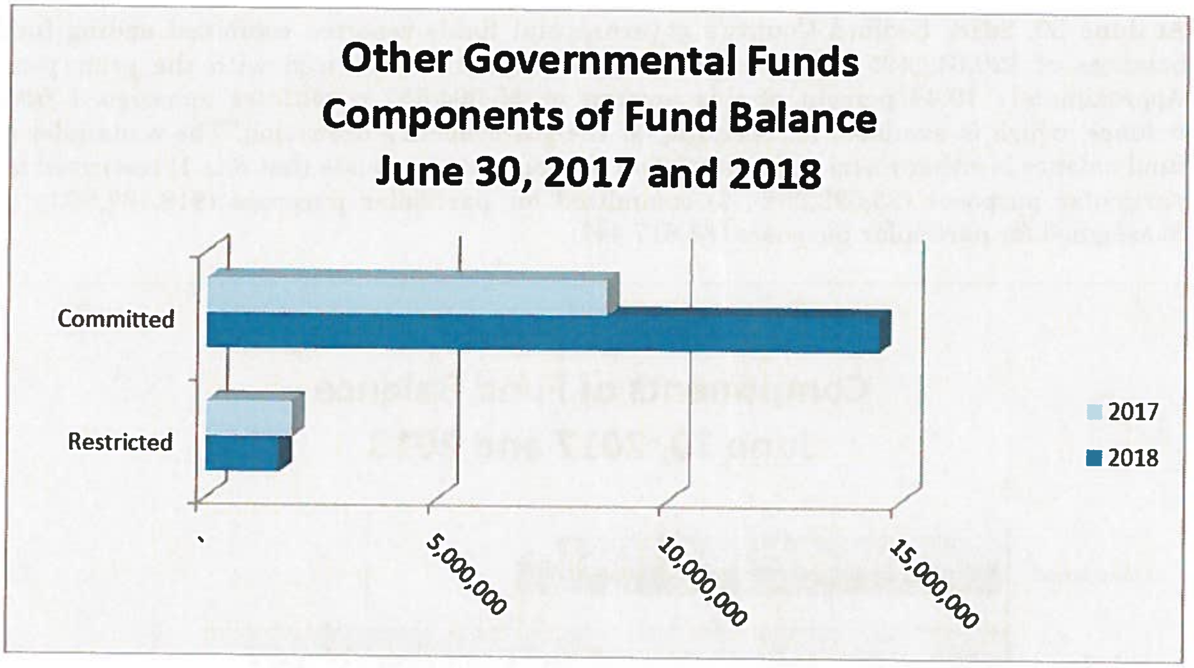
As noted earlier, Bedford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Bedford County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Bedford County government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, Bedford County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Bedford County Commission.

At June 30, 2018, Bedford County's governmental funds reported combined ending fund balances of $29,642,495, an increase of $6,770,289, in comparison with the prior year. Approximately 10.44 percent of this amount or $3,094,857 *constitutes unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is either restricted, committed, or assigned to indicate that it is 1) restricted for particular purposes ($3,592,288); 2) committed for particular purposes ($18,137,903); or 3) assigned for particular purposes ($4,817,447).



The General Fund is the chief operating fund of Bedford County. At the end of the current fiscal year, unassigned fund balance was $3,094,857, while total fund balance increased to $13,536,742. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 15.70 percent of total General Fund expenditures, while total fund balance represents approximately 68.7 percent of that same amount.



The fund balance of Bedford County's General Fund increased by $1,194,493 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was primarily due to funds for renovations of the former Regions Bank Building not being expended during the fiscal year.

The General Debt Service Fund had an increase in fund balance during the current year of $5,858,450 to bring the year-end fund balance to $14,510,756. This increase was primarily due to a reduction of outstanding debt balances and a tax increase to fund new projects.

General Fund Budgetary Highlights

Original budget compared to final budget. During the fiscal year, there were increases to original estimated revenues and original budgeted appropriations. The increase in estimated revenues was not significant except for an increase in Charges for Current Services and other local revenues, which were increased by $107,337 and $100,915, respectively. Generally, the movement of the appropriations between the departments was not significant. The exceptions were the appropriation for the County Buildings in the General Government function, which was increased by $82,293 and for Ambulance/Emergency Medical Services expenditures in the Public Health and Welfare function, which was increased by $129,571.

The increase in the County Buildings budget was primarily due to $55,757 in courtroom security improvements related to a grant. The increase in Ambulance/Emergency Medical Services expenditures was due to an increase of $124,144 related to the Medicaid Ground Ambulance Service Provider Assessment Act.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues in the final budget were in Charges for Current

Services of $620,610 and Fees Received from County Officials with $261,950 more than anticipated.

At the close of the fiscal year, General Fund revenues were $1,565,681 more than budgetary estimates. This favorable variance was due primarily to conservative budget estimates for local taxes in anticipation of the current appeals.

A review of actual expenditures compared with the appropriations in the final budget yields no significant variances. At the close of the fiscal year, actual expenditures and encumbrances were $2,237,758 less than budgetary estimates. Most of the unspent appropriation is in the personnel and benefit line items. The county typically budgets all positions as being filled for the entire year. Because of turnovers, appropriations are normally left unspent in those cost categories. Since public safety and public health and welfare have most of the full-time employment, these functions typically will have more unspent appropriations than the other functions.

Capital Assets and Debt Administration

Capital assets. Bedford County's investment in capital assets for its governmental funds as of June 30, 2018, totals $34,375,816 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, other capital assets (includes equipment), and infrastructure (roads, highways, and bridges). The total increase in capital assets for the current fiscal year was approximately 4.93 percent.

Bedford County's Capital Assets
(net of depreciation)

	Governmental Activities	
	2018	2017
Land	$ 1,251,127	$ 867,300
Construction in Progress	3,316,704	787,186
Buildings and Improvements	6,202,864	6,471,435
Other Capital Assets	1,441,022	1,658,688
Infrastructure	22,164,099	22,975,029
Total	$ 34,375,816	$ 32,759,638

Major capital asset increases during the current fiscal year included the following:

- Land totaling $383,827.
- Construction in Progress totaling $2,529,518.

Additional information on Bedford County's capital assets can be found in Note IV.B. of the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, Bedford County government had total debt outstanding of $58,229,310. All debt is backed by the full faith and credit of the government.

Bedford County's Outstanding Debt

	Governmental Activities	
	2018	2017
General Obligation Bonds	$ 43,961,081	$ 46,466,245
Notes Payable	930,279	1,458,603
Other Debt Payable	13,337,950	1,966,950
Total	$ 58,229,310	$ 49,891,798

Bedford County's total debt increased by $8,337,512 (16.7 percent) during the current fiscal year.

Currently, state statutes do not limit the amount of general obligation debt a government entity may issue. Bedford County's bond rating from Moody's Investor Services was affirmed at Aa3 in October 2011.

Additional information on Bedford County government's long-term debt can be found in Exhibits J-1, J-2, and Note IV.D. of this report.

Economic Factors and Next Year's Budget and Rates

The following economic factors currently affect Bedford County and were considered in developing the 2018-19 fiscal year budget.

- The unemployment rate for Bedford County is currently 4.6 percent, which is 0.2 percent less than the rate was a year ago. Even if the unemployment rate should decrease, it is not expected to reach the pre-recession level for several years.
- Bedford County has experienced an upturn in the housing market, which affects several revenue items including excess fees from the register of deeds, development tax, building related permit fees, and an increase in local option sales tax collections.
- Interest rates are expected to remain at low levels throughout fiscal year 2018-19.
- Bedford County's daytime population is an estimated 45,341 persons a day, requiring 24-hour services for residents and non-residents alike.

Request for Information

This financial report is designed to provide a general overview of Bedford County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bedford County Director of Finance, 200 Dover Street, Suite 102, Shelbyville, TN 37160.

Basic Financial Statements

Exhibit A

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

	Primary Government	Component Units	
	Governmental Activities	Bedford County School Department	Emergency Communications District
ASSETS			
Cash	$ 575	$ 4,514	$ 1,997,440
Equity in Pooled Cash and Investments	28,443,739	24,912,604	0
Inventories	0	48,039	0
Accounts Receivable	3,233,414	31,172	0
Allowance for Uncollectible	(1,799,533)	(20,867)	0
Due from Other Governments	2,039,784	1,932,009	0
Due from Primary Government	0	850,000	50,439
Note Proceeds Receivable	1,775,000	0	0
Property Taxes Receivable	15,433,831	9,415,608	0
Allowance for Uncollectible Property Taxes	(320,938)	(195,792)	0
Prepaid Items	0	0	28,741
Net Pension Asset - Agent Plan	4,149,364	2,668,998	177,700
Net Pension Asset - Teacher Retirement Plan	0	189,412	0
Net Pension Asset - Teacher Legacy Pension Plan	0	237,821	0
Restricted Assets	0	0	100
Capital Assets:			
Assets Not Depreciated:			
Land	1,251,127	2,775,891	0
Construction in Progress	3,316,704	9,600,065	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	6,202,864	75,404,460	0
Other Capital Assets	1,441,022	3,497,489	320,871
Infrastructure	22,164,099	0	0
Total Assets	$ 87,331,052	$ 131,351,423	$ 2,575,291
DEFERRED OUTFLOWS OF RESOURCES			
Pension Changes in Experience	$ 222,305	$ 293,006	$ 9,520
Pension Changes in Investment Earnings	0	36,100	0
Pension Contributions After Measurement Date	474,709	2,878,787	18,731
Pension Changes in Proportionate Share of NPL	0	125,575	1,551
Pension Changes in Assumptions	575,862	2,401,252	24,662
OPEB Benefits Paid After Measurement Date	7,275	185,732	0
Total Deferred Outflows of Resources	$ 1,280,151	$ 5,920,452	$ 54,464

(Continued)

Exhibit A

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

	Primary Government	Component Units	
	Governmental Activities	Bedford County School Department	Emergency Communications District
LIABILITIES			
Accounts Payable	$ 487,605	$ 76,143	$ 0
Accrued Payroll	0	0	14,203
Accrued Interest Payable	917,178	0	0
Compensated Absences Payable	0	0	30,696
Payroll Deductions Payable	0	1,319,715	3,905
Contracts Payable	853,777	786,267	0
Retainage Payable	44,332	40,208	0
Due to Component Units	900,439	0	0
Due to State of Tennessee	33,280	0	0
Noncurrent Liabilities:			
Due Within One Year	5,377,747	0	0
Due in More Than One Year	54,237,511	5,152,316	0
Total Liabilities	$ 62,851,869	$ 7,374,649	$ 48,804
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes, Levied for Subsequent Period	$ 14,691,953	$ 8,963,015	$ 0
Pension Changes in Experience	313,069	5,125,491	13,407
Pension Changes in Investment Earnings	3,784	12,626	162
Pension Changes in Proportionate Share of NPL	0	0	37,334
Pension Changes in Assumptions	0	84,850	0
OPEB Changes in Assumptions	24,110	237,998	0
Total Deferred Inflows of Resources	$ 15,032,916	$ 14,423,980	$ 50,903
NET POSITION			
Net Investment in Capital Assets	$ 26,247,537	$ 91,277,905	$ 320,871
Restricted for:			
General Government	91,987	0	0
Finance	53,112	0	0
Administration of Justice	1,511,295	0	0
Public Safety	76,507	0	0
Public Health and Welfare	286,547	0	0
Pensions	4,149,364	0	177,700
Highway/Public Works	1,651,291	0	0
Education	0	6,069,093	0
Capital Projects	105,061	0	0
Unrestricted	(23,446,283)	18,126,248	2,031,477
Total Net Position	$ 10,726,418	$ 115,473,246	$ 2,530,048

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

Exhibit B

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Bedford County School Department	Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	$ 2,546,090	$ 805,318	$ 32,685	$ 0	$ (1,708,087)	$ 0	$ 0
Finance	1,787,627	1,286,981	0	0	(500,646)	0	0
Administration of Justice	1,832,216	1,746,340	9,000	21,714	(55,162)	0	0
Public Safety	6,383,430	723,132	71,683	33,823	(5,554,792)	0	0
Public Health and Welfare	4,582,425	2,044,408	454,735	358,257	(1,725,025)	0	0
Social, Cultural, and Recreational Services	2,451,654	28,038	0	0	(2,423,616)	0	0
Agriculture and Natural Resources	420,259	9,850	0	0	(410,409)	0	0
Highways	4,875,194	17,087	2,522,221	649,119	(1,686,767)	0	0
Education	8,911,000	0	0	0	(8,911,000)	0	0
Interest on Long-term Debt	2,537,110	0	0	0	(2,537,110)	0	0
Total Primary Government	$ 36,327,005	$ 6,661,154	$ 3,090,324	$ 1,062,913	$ (25,512,614)	$ 0	$ 0
Component Units:							
Bedford County School Department	$ 66,691,006	$ 796,110	$ 8,380,374	$ 0	$ 0	$ (57,514,522)	$ 0
Emergency Communications District	890,545	768,796	1,936	0	0	0	(119,813)
Total Component Units	$ 67,581,551	$ 1,564,906	$ 8,382,310	$ 0	$ 0	$ (57,514,522)	$ (119,813)

(Continued)

Exhibit B

Bedford County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Bedford County School Department	Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					$ 11,259,173	$ 8,881,861	$ 0
Property Taxes Levied for Debt Service					3,293,547	0	0
Local Option Sales Tax					6,752,499	2,477,966	0
Business Tax					478,321	0	0
Litigation Tax - General					221,104	0	0
Wholesale Beer Tax					181,520	0	0
Adequate Facilities/Development Tax					458,626	0	0
Litigation Tax - Courtroom Security					117,583	0	0
Litigation Tax - Jail, Workhouse, or Courthouse					158,097	0	0
Mineral Severance Tax					155,971	0	0
Other Local Taxes					2,318	25,232	0
Grants and Contributions Not Restricted to Specific Programs					1,469,832	59,602,065	419,474
Unrestricted Investment Income					669,988	2,803	23,732
Miscellaneous					277,069	115,771	0
Gain on Sale of Capital Assets					48,422	139,000	0
Total General Revenues					$ 25,544,070	$ 71,244,698	$ 443,206
Change in Net Position					$ 31,456	$ 13,730,176	$ 323,393
Net Position, July 1, 2017					10,709,678	105,945,027	2,206,655
Restatement - See Note I.D.10.					(14,716)	(4,201,957)	0
Net Position, June 30, 2018					$ 10,726,418	$ 115,473,246	$ 2,530,048

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 575	$ 0	$ 0	$ 0	$ 0	$ 575
Equity in Pooled Cash and Investments	13,051,201	1,365,927	13,921,521	78,170	26,920	28,443,739
Accounts Receivable	3,077,984	1,561	153,717	0	152	3,233,414
Allowance for Uncollectibles	(1,798,732)	0	(801)	0	0	(1,799,533)
Due from Other Governments	419,593	512,380	1,089,640	0	18,171	2,039,784
Note Proceeds Receivable	0	0	0	1,775,000	0	1,775,000
Property Taxes Receivable	11,162,834	776,545	3,494,452	0	0	15,433,831
Allowance for Uncollectible Property Taxes	(232,125)	(16,148)	(72,665)	0	0	(320,938)
Total Assets	$ 25,681,330	$ 2,640,265	$ 18,585,864	$ 1,853,170	$ 45,243	$ 48,805,872
LIABILITIES						
Accounts Payable	$ 272,125	$ 192,394	$ 0	$ 0	$ 23,086	$ 487,605
Contracts Payable	0	0	0	853,777	0	853,777
Retainage Payable	0	0	0	44,332	0	44,332
Due to Component Units	50,439	0	0	850,000	0	900,439
Due to State of Tennessee	33,280	0	0	0	0	33,280
Total Liabilities	$ 355,844	$ 192,394	$ 0	$ 1,748,109	$ 23,086	$ 2,319,433
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 10,626,255	$ 739,218	$ 3,326,480	$ 0	$ 0	$ 14,691,953
Deferred Delinquent Property Taxes	294,552	20,491	92,208	0	0	407,251
Other Deferred/Unavailable Revenue	867,937	220,383	656,420	0	0	1,744,740
Total Deferred Inflows of Resources	$ 11,788,744	$ 980,092	$ 4,075,108	$ 0	$ 0	$ 16,843,944

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
FUND BALANCES	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Restricted:						
Restricted for General Government	$ 91,987	$ 0	$ 0	$ 0	$ 0	$ 91,987
Restricted for Finance	53,112	0	0	0	0	53,112
Restricted for Administration of Justice	1,511,295	0	0	0	0	1,511,295
Restricted for Public Safety	54,350	0	0	0	22,157	76,507
Restricted for Public Health and Welfare	286,547	0	0	0	0	286,547
Restricted for Highways/Public Works	0	1,467,779	0	0	0	1,467,779
Restricted for Capital Projects	0	0	0	105,061	0	105,061
Committed:						
Committed for General Government	3,578,108	0	0	0	0	3,578,108
Committed for Agriculture and Natural Resources	49,039	0	0	0	0	49,039
Committed for Debt Service	0	0	14,510,756	0	0	14,510,756
Assigned:						
Assigned for Capital Projects	4,817,447	0	0	0	0	4,817,447
Unassigned	3,094,857	0	0	0	0	3,094,857
Total Fund Balances	$ 13,536,742	$ 1,467,779	$ 14,510,756	$ 105,061	$ 22,157	$ 29,642,495
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 25,681,330	$ 2,640,265	$ 18,585,864	$ 1,853,170	$ 45,243	$ 48,805,872

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

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

Amounts reported for governmental activities in the statement
of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)			$ 29,642,495
(1)	Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
	Add: land	$ 1,251,127	
	Add: construction in progress	3,316,704	
	Add: buildings and improvements net of accumulated depreciation	6,202,864	
	Add: other capital assets net of accumulated depreciation	1,441,022	
	Add: infrastructure net of accumulated depreciation	22,164,099	34,375,816
(2)	Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
	Less: notes payable	$ (930,279)	
	Less: other loans payable	(13,337,950)	
	Less: bonds payable	(44,240,000)	
	Less: compensated absences payable	(349,357)	
	Less: other postemployment benefits liability	(478,753)	
	Less: accrued interest on notes, other loans, and bonds	(917,178)	
	Less: unamortized premium on debt	(278,919)	(60,532,436)
(3)	Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension expense and OPEB expense in future years:		
	Add: deferred outflows of resources related to pensions	$ 1,272,876	
	Add: deferred outflows of resources related to OPEB	7,275	
	Less: deferred inflows of resources related to pensions	(316,853)	
	Less: deferred inflows of resources related to OPEB	(24,110)	939,188
(4)	Net pension assets of the county agent plan are not current financial resources and therefore are not reported in the governmental funds.		4,149,364
(5)	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		2,151,991
Net position of governmental activities (Exhibit A)			$ 10,726,418

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

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 12,746,780	$ 934,580	$ 10,437,291	$ 0	$ 0	$ 24,118,651
Licenses and Permits	323,266	0	0	0	0	323,266
Fines, Forfeitures, and Penalties	501,907	0	0	0	10,707	512,614
Charges for Current Services	2,722,447	0	0	0	45	2,722,492
Other Local Revenues	561,003	66,154	669,988	0	100	1,297,245
Fees Received From County Officials	2,365,056	0	0	0	0	2,365,056
State of Tennessee	1,363,192	3,120,446	0	0	0	4,483,638
Federal Government	105,416	0	0	0	323,925	429,341
Other Governments and Citizens Groups	140,000	5,657	27,436	0	0	173,093
Total Revenues	$ 20,829,067	$ 4,126,837	$ 11,134,715	$ 0	$ 334,777	$ 36,425,396
Expenditures						
Current:						
General Government	$ 1,707,629	$ 0	$ 0	$ 0	$ 0	$ 1,707,629
Finance	1,847,940	0	0	0	0	1,847,940
Administration of Justice	2,052,188	0	0	0	45	2,052,233
Public Safety	8,179,072	0	0	0	4,915	8,183,987
Public Health and Welfare	4,605,430	0	0	0	0	4,605,430
Social, Cultural, and Recreational Services	157,210	0	0	0	0	157,210
Agriculture and Natural Resources	242,476	0	0	0	0	242,476
Other Operations	920,745	7,000	0	0	107	927,852
Highways	0	4,127,297	0	0	0	4,127,297
Debt Service:						
Principal on Debt	0	0	3,048,324	0	0	3,048,324
Interest on Debt	0	0	2,021,298	0	0	2,021,298
Other Debt Service	0	0	206,643	0	0	206,643

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)						
Capital Projects	$ 0	$ 0	$ 0	$ 11,573,863	$ 323,925	$ 11,897,788
Total Expenditures	$ 19,712,690	$ 4,134,297	$ 5,276,265	$ 11,573,863	$ 328,992	$ 41,026,107
Excess (Deficiency) of Revenues Over Expenditures	$ 1,116,377	$ (7,460)	$ 5,858,450	$ (11,573,863)	$ 5,785	$ (4,600,711)
Other Financing Sources (Uses)						
Other Loans Issued	$ 0	$ 0	$ 0	$ 11,371,000	$ 0	$ 11,371,000
Transfers In	78,116	0	0	0	0	78,116
Transfers Out	0	0	0	(78,116)	0	(78,116)
Total Other Financing Sources (Uses)	$ 78,116	$ 0	$ 0	$ 11,292,884	$ 0	$ 11,371,000
Net Change in Fund Balances	$ 1,194,493	$ (7,460)	$ 5,858,450	$ (280,979)	$ 5,785	$ 6,770,289
Fund Balance, July 1, 2017	12,342,249	1,475,239	8,652,306	386,040	16,372	22,872,206
Fund Balance, June 30, 2018	$ 13,536,742	$ 1,467,779	$ 14,510,756	$ 105,061	$ 22,157	$ 29,642,495

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

Exhibit C-4

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

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		$ 6,770,289
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 3,269,849	
Less: current-year depreciation expense	(1,653,671)	1,616,178
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2018	$ 2,151,991	
Less: deferred delinquent property taxes and other deferred June 30, 2017	(2,233,762)	(81,771)
(3) The issuance of long-term debt (e.g., bonds, notes, and other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on bonds	$ 2,520,000	
Add: principal payments on notes	528,324	
Less: other loan proceeds	(11,371,000)	
Add: change in premium on debt issuances	14,836	(8,307,840)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ (515,812)	
Change in other postemployment benefits liability (net of restatement)	(30,799)	
Change in compensated absences payable	(9,357)	
Change in net pension asset	664,791	
Change in deferred outflows of resources related to pensions	(310,061)	
Change in deferred outflows of resources related to OPEB (net of restatement)	3,037	
Change in deferred inflows of resources related to pensions	256,911	
Change in deferred inflows of resources related to OPEB	(24,110)	34,600
Change in net position of governmental activities (Exhibit B)		$ 31,456

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

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 12,746,780	$ 0	$ 0	$ 12,746,780	$ 11,944,976	$ 11,944,976	$ 801,804
Licenses and Permits	323,266	0	0	323,266	275,870	275,870	47,396
Fines, Forfeitures, and Penalties	501,907	0	0	501,907	455,000	455,000	46,907
Charges for Current Services	2,722,447	0	0	2,722,447	1,994,500	2,101,837	620,610
Other Local Revenues	561,003	0	0	561,003	559,423	660,338	(99,335)
Fees Received From County Officials	2,365,056	0	0	2,365,056	2,103,106	2,103,106	261,950
State of Tennessee	1,363,192	0	0	1,363,192	1,519,764	1,612,682	(249,490)
Federal Government	105,416	0	0	105,416	45,850	109,577	(4,161)
Other Governments and Citizens Groups	140,000	0	0	140,000	0	0	140,000
Total Revenues	$ 20,829,067	$ 0	$ 0	$ 20,829,067	$ 18,898,489	$ 19,263,386	$ 1,565,681
Expenditures							
General Government							
County Commission	$ 117,326	$ 0	$ 0	$ 117,326	$ 122,303	$ 123,053	$ 5,727
Board of Equalization	1,050	0	0	1,050	8,000	8,000	6,950
Beer Board	650	0	0	650	1,000	1,000	350
Budget and Finance Committee	2,866	0	0	2,866	3,026	3,026	160
County Mayor/Executive	204,921	0	0	204,921	276,890	283,956	79,035
County Attorney	84,763	0	0	84,763	65,000	90,000	5,237
Election Commission	198,926	0	0	198,926	202,884	238,798	39,872
Register of Deeds	304,525	(1,120)	0	303,405	311,957	311,957	8,552
Planning	118,241	0	0	118,241	132,489	131,039	12,798
Codes Compliance	78,291	0	0	78,291	121,585	125,807	47,516
County Buildings	596,070	(11,900)	406,738	990,908	1,251,767	1,334,060	343,152
Finance							
Accounting and Budgeting	466,390	0	0	466,390	612,533	529,579	63,189
Property Assessor's Office	329,106	0	0	329,106	371,482	371,482	42,376
Reappraisal Program	106,315	0	0	106,315	123,897	124,392	18,077
County Trustee's Office	311,267	0	0	311,267	337,923	337,923	26,656
County Clerk's Office	467,045	(264)	0	466,781	461,258	467,501	720

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Finance (Cont.)							
Data Processing	$ 167,817	$ 0	$ 0	$ 167,817	$ 173,147	$ 176,148	$ 8,331
Administration of Justice							
Circuit Court	655,107	0	0	655,107	773,281	769,859	114,752
General Sessions Court	224,535	0	0	224,535	227,304	227,304	2,769
Chancery Court	306,550	0	0	306,550	326,372	326,372	19,822
Juvenile Court	206,176	0	0	206,176	210,494	210,494	4,318
Judicial Commissioners	184,104	0	0	184,104	185,687	185,687	1,583
Other Administration of Justice	119,751	0	0	119,751	124,841	124,841	5,090
Probation Services	355,965	0	0	355,965	376,280	376,280	20,315
Public Safety							
Sheriff's Department	3,098,821	(475)	0	3,098,346	3,302,222	3,320,871	222,525
Traffic Control	59,522	0	0	59,522	43,681	62,840	3,318
Jail	1,775,323	0	0	1,775,323	1,883,652	1,896,752	121,429
Workhouse	892,969	0	0	892,969	937,971	931,621	38,652
Juvenile Services	450,755	0	0	450,755	485,071	497,557	46,802
Other Emergency Management	1,451,648	0	0	1,451,648	1,504,748	1,585,787	134,139
County Coroner/Medical Examiner	33,225	0	0	33,225	20,000	45,000	11,775
Other Public Safety	416,809	0	0	416,809	465,044	465,044	48,235
Public Health and Welfare							
Local Health Center	552,960	0	0	552,960	699,282	708,482	155,522
Rabies and Animal Control	334,058	(80,050)	0	254,008	262,141	288,250	34,242
Ambulance/Emergency Medical Services	2,512,219	0	0	2,512,219	2,660,777	2,790,348	278,129
Other Local Health Services	65,013	0	0	65,013	65,014	65,014	1
Regional Mental Health Center	7,740	0	0	7,740	7,740	7,740	0
Appropriation to State	52,522	0	0	52,522	54,000	52,522	0
General Welfare Assistance	99,875	0	0	99,875	100,475	100,475	600
Convenience Centers	981,043	0	0	981,043	1,120,775	1,120,774	139,731
Social, Cultural, and Recreational Services							
Adult Activities	5,700	0	0	5,700	5,700	5,700	0

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Social, Cultural, and Recreational Services (Cont.)							
Senior Citizens Assistance	$ 9,120	$ 0	$ 0	$ 9,120	$ 9,120	$ 9,120	$ 0
Libraries	142,390	0	0	142,390	142,390	142,390	0
Agriculture and Natural Resources							
Agricultural Extension Service	110,652	0	0	110,652	130,565	130,565	19,913
Soil Conservation	58,000	0	0	58,000	58,000	58,000	0
Other Agriculture and Natural Resources	73,824	0	0	73,824	89,148	89,148	15,324
Other Operations							
Tourism	2,369	0	0	2,369	2,369	2,369	0
Veterans' Services	60,200	0	0	60,200	75,419	77,419	17,219
Other Charges	334,482	0	0	334,482	343,575	343,575	9,093
Contributions to Other Agencies	120,449	0	0	120,449	122,000	122,000	1,551
Miscellaneous	403,245	0	0	403,245	464,793	465,456	62,211
Total Expenditures	$ 19,712,690	$ (93,809)	$ 406,738	$ 20,025,619	$ 21,857,072	$ 22,263,377	$ 2,237,758
Excess (Deficiency) of Revenues Over Expenditures	$ 1,116,377	$ 93,809	$ (406,738)	$ 803,448	$ (2,958,583)	$ (2,999,991)	$ 3,803,439
Other Financing Sources (Uses)							
Transfers In	$ 78,116	$ 0	$ 0	$ 78,116	$ 83,901	$ 78,116	$ 0
Total Other Financing Sources	$ 78,116	$ 0	$ 0	$ 78,116	$ 83,901	$ 78,116	$ 0
Net Change in Fund Balance	$ 1,194,493	$ 93,809	$ (406,738)	$ 881,564	$ (2,874,682)	$ (2,921,875)	$ 3,803,439
Fund Balance, July 1, 2017	12,342,249	(93,809)	0	12,248,440	9,461,105	12,304,828	(56,388)
Fund Balance, June 30, 2018	$ 13,536,742	$ 0	$ (406,738)	$ 13,130,004	$ 6,586,423	$ 9,382,953	$ 3,747,051

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

Exhibit C-6

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 934,580	$ 839,600	$ 839,600	$ 94,980
Other Local Revenues	66,154	20,000	70,000	(3,846)
State of Tennessee	3,120,446	2,558,985	3,008,985	111,461
Other Governments and Citizens Groups	5,657	35,000	35,000	(29,343)
Total Revenues	$ 4,126,837	$ 3,453,585	$ 3,953,585	$ 173,252
Expenditures				
Other Operations				
Contributions to Other Agencies	$ 7,000	$ 7,000	$ 7,000	$ 0
Highways				
Administration	234,372	267,647	287,105	52,733
Highway and Bridge Maintenance	1,875,578	1,771,538	2,291,583	416,005
Operation and Maintenance of Equipment	424,958	501,173	517,735	92,777
Litter and Trash Collection	77,242	69,458	87,868	10,626
Other Charges	153,228	173,550	183,550	30,322
Employee Benefits	53,893	76,300	58,209	4,316
Capital Outlay	1,308,026	950,000	1,728,000	419,974
Total Expenditures	$ 4,134,297	$ 3,816,666	$ 5,161,050	$ 1,026,753
Excess (Deficiency) of Revenues Over Expenditures	$ (7,460)	$ (363,081)	$ (1,207,465)	$ 1,200,005
Other Financing Sources (Uses)				
Insurance Recovery	$ 0	$ 20,000	$ 20,000	$ (20,000)
Transfers Out	0	(19,384)	0	0
Total Other Financing Sources	$ 0	$ 616	$ 20,000	$ (20,000)
Net Change in Fund Balance	$ (7,460)	$ (362,465)	$ (1,187,465)	$ 1,180,005
Fund Balance, July 1, 2017	1,475,239	825,291	650,239	825,000
Fund Balance, June 30, 2018	$ 1,467,779	$ 462,826	$ (537,226)	$ 2,005,005

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

Exhibit D

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

	Agency Funds
ASSETS	
Cash	$ 1,635,385
Accounts Receivable	467
Due from Other Governments	727,227
Total Assets	$ 2,363,079
LIABILITIES	
Due to Other Taxing Units	$ 727,227
Due to Litigants, Heirs, and Others	1,635,852
Total Liabilities	$ 2,363,079

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

BEDFORD COUNTY, TENNESSEE
Index of Notes to the Financial Statements

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bedford County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Bedford County:

A. Reporting Entity

Bedford County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Bedford County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationship with the county.

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

The Bedford County School Department operates the public school system in the county, and the voters of Bedford County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Emergency Communications District of Bedford County provides a simplified means of securing emergency services through a uniform emergency number for the residents of Bedford County, and the Bedford County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Bedford County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Emergency Communications

District of Bedford County can be obtained from its administrative office at the following address:

Administrative Office:

Emergency Communications District
of Bedford County
843 Union Street
Shelbyville, TN 37160

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Bedford County issues all debt for the discretely presented Bedford County School Department. Net debt issues totaling $8,911,000 were contributed by the county to the School Department during the year ended June 30, 2018.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Bedford County considers grants and similar revenues to be available if they are collected within 30 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Bedford County reports the following major governmental funds:

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

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

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

General Capital Projects Fund – This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, Bedford County reports the following fund type:

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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for the receipt of debt issued by Bedford

County and contributed to the School Department for building construction and renovations.

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

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Bedford County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments are assigned to the General Debt Service fund. Bedford County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a Stable Net Asset Value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables and Payables**

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

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

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

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

Retainage payable in the primary government's General Capital Projects and the school department's Education Capital Projects funds represent amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Capital Projects and Education Capital Projects funds.

3. Inventories

Inventories of the discretely presented School Department are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $25,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

Assets	Years
Buildings and Improvements	10 - 40
Other Capital Assets	5 - 30
Infrastructure:	
Roads	40 - 50
Bridges	20 - 40

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for pension changes in experience, changes in investment earnings, changes in proportionate share of net pension asset, changes in assumptions, as well as employer contributions made to the pension plan after the measurement date.

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

6. <u>Compensated Absences</u>

<u>Primary Government</u>

It is the policy of the county to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Bedford County does not have policies to pay any amounts when employees separate from service with the government. Personnel of the Highway Department are compensated for any unused sick leave days at year end. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

General policy of the School Department for all professional personnel (teachers) permits the unlimited accumulation of unused sick leave days. The granting of sick leave for professional personnel has no guaranteed payment attached and therefore requires no accrual or recording. Non-certificated personnel of the School Department are compensated for any unused sick-leave days at year end.

7. Long-term Obligations

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

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

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

8. Net Position and Fund Balance

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

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

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

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

As of June 30, 2018, Bedford County had $50,658,869 (including unamortized premiums on debt) in outstanding debt for capital purposes for the discretely presented Bedford County School Department. This debt is a liability of Bedford County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Bedford County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

9. Minimum Fund Balance Policy

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

General Fund – Three percent of the next year's budget is to be maintained in unassigned fund balance.

Debt Service Fund – An amount equal to the first two months of principal and interest expense of the total indebtedness of the county for the upcoming year is to be maintained in committed fund balance.

10. Restatements

In prior years, the government was required to recognize a liability for its other postemployment benefits plans under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, Bedford County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements reducing the beginning net position of the Governmental Activities of the Primary Government and the Discretely Presented Bedford County School Department totaling $14,716 and $4,201,957, respectively, have been recognized to account for the transitional requirements.

E. **Pension Plans**

Primary Government

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

Discretely Presented Bedford County School Department

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

F. **Other Postemployment OPEB) Plans**

Primary Government

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

Discretely Presented Bedford County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Bedford County School Department

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

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

Primary Government

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

Discretely Presented Bedford County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

All annual appropriations lapse at fiscal year end.

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

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

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

At June 30, 2018, Bedford County reported the following significant encumbrances:

Fund	Amount
Primary Government:	
Major Fund:	
General	$ 406,738
Discretely Presented School Department:	
Major Fund:	
General Purpose School	489,419

B. Appropriations Exceeded Estimated Available Funding

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by $537,226.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2018, Bedford County had the following investment carried at amortized cost using a Stable Vet Asset Value, which approximates fair value as established by generally accepted accounting principles. All investments are in the county trustee's investment pool. Separate disclosures concerning pooling investments cannot be made for Bedford County and the discretely presented Bedford County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturities	Amortized Cost
Investments at Amortized Cost:			
State Treasurer's Investment Pool	2 to 113	N/A	$ 40,200,000

B. **Capital Assets**

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

Primary Government – Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	$ 867,300	$ 383,827	$ 0	$ 1,251,127
Construction in Progress	787,186	2,529,518	0	3,316,704
Total Capital Assets Not Depreciated	$ 1,654,486	$ 2,913,345	$ 0	$ 4,567,831
Capital Assets Depreciated:				
Buildings and Improvements	$ 13,553,894	$ 80,050	$ 0	$ 13,633,944
Other Capital Assets	8,702,833	276,454	(164,549)	8,814,738
Infrastructure	32,484,914	0	0	32,484,914
Total Capital Assets Depreciated	$ 54,741,641	$ 356,504	$ (164,549)	$ 54,933,596
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 7,082,459	$ 348,621	$ 0	$ 7,431,080
Other Capital Assets	7,044,145	494,120	(164,549)	7,373,716
Infrastructure	9,509,885	810,930	0	10,320,815
Total Accumulated Depreciation	$ 23,636,489	$ 1,653,671	$ (164,549)	$ 25,125,611
Total Capital Assets Depreciated, Net	$ 31,105,152	$ (1,297,167)	$ 0	$ 29,807,985
Governmental Activities Capital Assets, Net	$ 32,759,638	$ 1,616,178	$ 0	$ 34,375,816

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

Governmental Activities:

General Government	$ 110,396
Public Safety	354,736
Public Health and Welfare	300,005
Agriculture and Natural Resources	7,000
Highway/Public Works	881,534
Total Depreciation Expense - Governmental Activities	$ 1,653,671

Discretely Presented Bedford County School Department

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	$ 2,775,891	$ 0	$ 0	$ 2,775,891
Construction in Progress	746,232	9,001,663	(147,830)	9,600,065
Total Capital Assets Not Depreciated	$ 3,522,123	$ 9,001,663	$ (147,830)	$ 12,375,956
Capital Assets Depreciated:				
Buildings and Improvements	$ 119,980,306	$ 907,224	$ (176,000)	$ 120,711,530
Other Capital Assets	11,699,787	704,250	0	12,404,037
Total Capital Assets Depreciated	$ 131,680,093	$ 1,611,474	$ (176,000)	$ 133,115,567
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 42,650,805	$ 2,831,265	$ (175,000)	$ 45,307,070
Other Capital Assets	8,096,780	809,768	0	8,906,548
Total Accumulated Depreciation	$ 50,747,585	$ 3,641,033	$ (175,000)	$ 54,213,618
Total Capital Assets Depreciated, Net	$ 80,932,508	$ (2,029,559)	$ (1,000)	$ 78,901,949
Governmental Activities Capital Assets, Net	$ 84,454,631	$ 6,972,104	$ (148,830)	$ 91,277,905

Depreciation expense was charged to functions of the discretely presented Bedford County School Department as follow:

Governmental Activities:

Instruction	$ 2,832,225
Support Services	772,119
Operation of Non-instructional Services	36,689
Total Depreciation Expense - Governmental Activities	$ 3,641,033

C. Construction Commitments

At June 30, 2018, the General Capital Projects and Education Capital Projects funds had uncompleted construction contracts of approximately $33,800,000 for the construction of a jail/justice center and approximately $12,000,000 for the construction of a school, respectively. Funding for these future expenditures is expected to be received from draws on other loans already secured by the primary government.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Component Units:	Primary Government:	
School Department:		
Education Capital Projects	General	$ 850,000
Emergency Communications District	General	50,439

Interfund Transfers:

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

Primary Government

Transfer Out	Transfer In General Fund
General Capital Projects Fund	$ 78,116

Discretely Presented Bedford County School Department

Transfer Out		Transfer In General Purpose School Fund
Education Capital Projects Fund	$	4,531
Nonmajor governmental funds		18,750
Total	$	23,281

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. During the year ended June 30, 2018, the General Capital Projects Fund transferred $78,116 to the General Fund to reimburse for capital expenditures, the Education Capital Projects Fund transferred $4,531 to the General Purpose School Fund to reimburse for capital expenditures, and the School Federal Projects Fund transferred $18,750 to the General Purpose School Fund to reimburse for indirect costs.

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 30 years for bonds, up to five years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, capital outlay notes and other loans included in long-term debt as of June 30, 2018, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
General Obligation Bonds	3.75 to 5%	4-1-37	$ 50,500,000	$ 37,715,000
General Obligation Bonds - Refunding	2.09 to 2.6	4-1-25	11,015,000	6,525,000
Capital Outlay Notes	1.53 to 1.55	11-14-19	2,385,000	930,279
Other Loans	2.33 to 2.65	12-1-37	13,337,950	13,337,950

In the prior year, Bedford County entered into loan agreements with the City of Clarksville Public Building Authority. These loan agreements provided for the authority to make $19,275,000 and $32,750,000 available for loan to Bedford County on an as-needed basis for various renovation and construction projects. Bedford County has borrowed $9,614,950 and $3,623,000, respectively, of the authorized amount of the loans. These loans are repayable at fixed interest rates of 2.43 and 2.33 percent, respectively. In the current year, Bedford County entered into additional loan agreements with the City of Clarksville Public Building Authority. These loan agreements provided for the authority to make $4,500,000 and $5,000,000 available for loan to Bedford County on an as-needed basis for various renovation and construction projects. Bedford County has borrowed $50,000 on each of the authorized amount of the loans. These loans are repayable at fixed interest rates of 2.55 and 2.65 percent, respectively.

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

Year Ending	Notes		
June 30	Principal	Interest	Total
2019	$ 530,279	$ 11,200	$ 541,479
2020	400,000	3,060	403,060
Total	$ 930,279	$ 14,260	$ 944,539

Year Ending June 30	Other Loans Principal	Interest	Total
2019	$ 2,200,000	$ 1,208,023	$ 3,408,023
2020	2,352,000	1,155,337	3,507,337
2021	1,661,000	606,933	2,267,933
2022	871,000	397,293	1,268,293
2023	892,000	375,872	1,267,872
2024-2028	4,796,000	1,539,405	6,335,405
2029	565,950	13,753	579,703
Total	$ 13,337,950	$ 5,296,616	$ 18,634,566

Year Ending June 30	Bonds Principal	Interest	Total
2019	$ 2,630,000	$ 1,826,242	$ 4,456,242
2020	2,725,000	1,741,543	4,466,543
2021	2,840,000	1,652,227	4,492,227
2022	2,960,000	1,557,464	4,517,464
2023	3,080,000	1,455,317	4,535,317
2024-2028	10,360,000	5,821,038	16,181,038
2029-2033	9,965,000	3,561,975	13,526,975
2034-2037	9,680,000	1,112,624	10,792,624
Total	$ 44,240,000	$ 18,728,430	$ 62,968,430

There is $14,510,756 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita including unamortized debt premiums totaled $982, based on the 2010 federal census. Total debt per capita, including bonds, notes, other loans, and unamortized debt premiums totaled $1,305 based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, June 30, 2017	$ 46,760,000	$ 1,458,603	$ 1,966,950
Additions	0	0	11,371,000
Reductions	(2,520,000)	(528,324)	0
Balance, June 30, 2018	$ 44,240,000	$ 930,279	$ 13,337,950
Balance Due Within One Year	$ 2,630,000	$ 530,279	$ 2,200,000

	Compensated Absences	Other Postemployment Benefits*
Balance, July 1, 2017	$ 340,000	$ 447,954
Additions	553,545	61,768
Reductions	(544,188)	(30,969)
Balance, June 30, 2018	$ 349,357	$ 478,753
Balance Due Within One Year	$ 17,468	$ 0

*OPEB balance at July 1, 2017, was restated. See Note I.D.10.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	$ 59,336,339
Less: Balance Due Within One Year	(5,377,747)
Add: Unamortized Premium on Debt	278,919
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 54,237,511

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

Discretely Presented Bedford County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Bedford County School Department for the year ended June 30, 2018, was as follows:

Governmental Activities:

		Net Pension Liability - Legacy Plan*		Other Postemployment Benefits**
Balance, July 1, 2017	$	4,547,353	$	5,099,674
Additions		2,578,135		741,891
Reductions		(7,363,309)		(689,249)
Balance, June 30, 2018	$	(237,821)	$	5,152,316
Balance Due Within One Year	$	0	$	0

* The Teacher Legacy Pension Plan has a Net Pension Asset balance of $237,821 on June 30, 2018.

**OPEB balance at July 1, 2017, was restated. See Note I.D.10.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	$	5,152,316
Less: Balance Due Within One Year		0
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$	5,152,316

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

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

Discretely Presented Bedford County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Bedford County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2018, were $91,636 and $43,788, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Bedford County and the discretely presented Bedford County School Department are exposed to various risks related to general liability, property, casualty, and workers' compensation losses. Bedford County and the School Department decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. Bedford County and the School Department joined the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. Bedford County and the School Department pay an annual premium to the TN-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Bedford County

Employee Health Insurance

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

Discretely Presented Bedford County School Department

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

B. Accounting Changes

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

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

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

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

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

C. Contingent Liabilities

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

D. Joint Ventures

Primary Government

The Shelbyville-Bedford County Public Library is jointly owned by Bedford County and the City of Shelbyville and operates under Tennessee state law and the rules and regulations of the Highland Rim Regional Library. The library is governed by a voluntary 14-member board of directors, seven appointed by the county and seven by the city. Bedford County has control over budgeting and financing of the joint venture only to the extent of representation by the seven board members appointed. Bedford County contributed $142,390 to the operations of the library during the year ended June 30, 2018.

The Joint Economic Development Board is a joint venture between Bedford County and the cities of Bell Buckle, Normandy, Shelbyville, and Wartrace. The board comprises the city mayor or city manager, if so designated by the city's governing board of each member's municipality, the Bedford County mayor, three members of the City of Shelbyville Industrial Development Board, two residents of the unincorporated area of Bedford County, and a private citizen who owns greenbelt property. The purpose of the board is to foster communication and facilitate economic and community development between and among governmental entities, industry, and private citizens. The cities and county will provide the majority of funding for the board based on the percentage of their population compared to the total census of the county. Bedford County did not contribute to the Joint Economic Development Board for the year ended June 30, 2018.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Marshall, Lincoln, Moore, and Bedford counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Bedford County did not contribute to the DTF for the year ended June 30, 2018.

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Bedford, Franklin, Moore and Lincoln and the municipalities of Tullahoma and Fayetteville to develop a solid waste regional plan. Each participating County Commission or City Council appointed the authority's board for varying terms of office. Bedford County made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2018.

Bedford County does not retain an equity interest in any of the above-noted joint ventures.

Complete financial statements for the Shelbyville-Bedford County Public Library, the Joint Economic Development Board, the Seventeenth Judicial District Drug Task Force, and the Interlocal Solid Waste Authority can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Shelbyville-Bedford County Public Library
220 South Jefferson Street
Shelbyville, TN 37160

Joint Economic Development Board
c/o City Hall
201 North Spring Street
Shelbyville, TN 37160

Office of District Attorney General
Seventeenth Judicial District Drug Task Force
P.O. Box 878
Fayetteville, TN 37334

Interlocal Solid Waste Authority
c/o City of Tullahoma
P.O. Box 807
Tullahoma, TN 37388

Discretely Presented Bedford County School Department

The discretely presented School Department participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Coffee County, Dickson County, Fayetteville City, Hickman County, Houston County, Humphreys County, Lewis County, Lincoln County, Manchester City, Marshall County, and Stewart County. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated*. The cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Dickson County School Department) and a service provider to provide these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

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

Administrative Office:

Volunteer State Cooperative
220 McLemore Street
Dickson, TN 37055

E. **Jointly Governed Organization**

The Bedford Railroad Authority was created November 22, 1984, pursuant to Section 7-56-201, et seq., *Tennessee Code Annotated*, to provide for the continuation of rail service on a section of existing rail spur line located within Bedford County between the cities of Shelbyville and Wartrace. The authority's board includes the mayor of Shelbyville, a city councilman, the county mayor, a county commissioner, the mayor of Wartrace, and a citizen residing in Wartrace; however, the county and cities do not have any ongoing financial interest or responsibility for the entity.

F. **Retirement Commitments**

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

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Bedford County, non-certified employees of the discretely presented Bedford County School Department, and employees of the discretely presented Bedford County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 59.31 percent, the non-certified employees of the discretely presented School Department comprise 38.15 percent, and the discretely presented Bedford County Emergency Communications District comprise 2.54 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

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

Employees Covered by Benefit Terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	320
Inactive Employees Entitled to But Not Yet Receiving Benefits	857
Active Employees	676
Total	1,853

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the

Tennessee General Assembly. Employees contribute five percent of salary. Bedford County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions were $474,709, $303,002, and $18,786, for the primary government, the non-certified employees of the discretely presented School Department, and the discretely presented Bedford County Emergency Communications District, respectively, based on a rate of 4.45 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Bedford County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Bedford County's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes in Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decrease in investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified mortality assumptions.

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

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity	5.69 %	31 %
Developed Market International Equity	5.29	14
Emerging Market International Equity	6.36	4
Private Equity and Strategic Lending	5.79	20
U.S. Fixed Income	2.01	20
Real Estate	4.32	10
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Bedford County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
Primary Government	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance. July 1, 2016	$ 28,823.464	$ 32.416,476	$ (3.593,012)
Changes for the Year:			
Service Cost	$ 872.172	$ 0	$ 872,172
Interest	2,176.352	0	2.176,352
Differences Between Expected and Actual Experience	296,406	0	296.406
Changes in Assumptions	767.817	0	767,817
Contributions-Employer	0	535.589	(535.589)
Contributions-Employees	0	511.062	(511.062)
Net Investment Income	0	3.654,279	(3.654,279)
Benefit Payments, Including Refunds of Employee Contributions	(1.355,220)	(1.355.220)	0
Administrative Expense	0	(31,831)	31,831
Other Changes	0	0	0
Net Changes	$ 2.757,527	$ 3.313.880	$ (556.353)
Balance. June 30, 2017	$ 31,580.991	$ 35.730,356	$ (4.149.364)

School Department	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1. 2016	$ 18.540,131	$ 20.851.266	$ (2.311.135)
Changes for the Year:			
Service Cost	$ 561.008	$ 0	$ 561.008
Interest	1.399,896	0	1.399.896
Differences Between Expected and Actual Experience	190.658	0	190.658
Changes in Assumptions	493,883	0	493.883
Contributions-Employer	0	344.507	(344.507)
Contributions-Employees	0	328,731	(328,731)
Net Investment Income	0	2.350,544	(2.350,544)
Benefit Payments, Including Refunds of Employee Contributions	(871.719)	(871,719)	0
Administrative Expense	0	(20.475)	20.475
Other Changes	0	0	0
Net Changes	$ 1,773.725	$ 2.131,589	$ (357,863)
Balance, June 30. 2017	$ 20.313,856	$ 22,982.854	$ (2,668.998)

Emergency Communications District	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2016	$ 1,234,389	$ 1,388,263	$ (153,874)
Changes for the Year:			
Service Cost	$ 37,351	$ 0	$ 37,351
Interest	93,204	0	93,204
Differences Between Expected and Actual Experience	12,694	0	12,694
Changes in Assumptions	32,882	0	32,882
Contributions-Employer	0	22,937	(22,937)
Contributions-Employees	0	21,887	(21,887)
Net Investment Income	0	156,498	(156,498)
Benefit Payments, Including Refunds of Employee Contributions	(58,038)	(58,038)	0
Administrative Expense	0	(1,363)	1,363
Other Changes	0	0	0
Net Changes	$ 118,093	$ 141,920	$ (23,826)
Balance, June 30, 2017	$ 1,352,482	$ 1,530,182	$ (177,700)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Bedford County calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

Primary Government	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ (95,797)	$ (4,149,364)	$ (7,491,836)

School Department		1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$	(61,619) $	(2,668,998) $	(4,818,978)

ECD		1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$	(4,103) $	(177,700) $	(320,844)

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

Pension Expense or Negative Pension Expense. For the year ended June 30, 2018, Bedford County recognized negative pension expense of $13,780, $8,864, and $590, for the primary government, the non-certified employees of the discretely presented School Department, and the discretely presented Bedford County Emergency Communications District, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, Bedford County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$	222,305	$	313,068
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		0		3,784
Changes in Assumptions		575,862		0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)		474,709		N/A
Total	$	1,272,876	$	316,852

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

School Department	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 142,993	$ 201,375
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,434
Changes in Assumptions	370,412	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	303,002	N/A
Total	$ 816,407	$ 203,809

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

ECD	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 9,520	$ 13,407
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	162
Changes in Assumptions	24,662	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	18,786	N/A
Total	$ 52,968	$ 13,569

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Primary Government

Year Ending June 30		Amount
2019	$	(164,602)
2020		566,576
2021		326,503
2022		(247,162)
2023		0
Thereafter		0

School Department

Year Ending June 30		Amount
2019	$	(105,877)
2020		364,439
2021		210,017
2022		(158,982)
2023		0
Thereafter		0

ECD

Year Ending June 30		Amount
2019	$	(7,049)
2020		24,264
2021		13,983
2022		(10,585)
2023		0
Thereafter		0

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

Discretely Presented Bedford County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Bedford County, non-certified employees of the discretely presented Bedford County School Department, and employees of the discretely presented Bedford County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 59.31 percent, the non-certified employees of the discretely presented School Department comprise 38.15 percent, and the discretely presented Bedford County Emergency Communications District comprise 2.54 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018, to the Teacher Retirement Plan were $244,594, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2018, the School Department reported an asset of $189,412 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was 0.717920 percent. The proportion as of June 30, 2016, was 0.672630 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of $85,604.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 6,638	$ 14,245
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	10,192
Changes in Assumptions	16,641	0
Changes in Porportion of Net Pension Liability (Asset)	1,808	5,014
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	244,594	N/A
Total	$ 269,681	$ 29,451

The School Department's employer contributions of $244,594, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		Amount
2019	$	(1,216)
2020		(1,216)
2021		(1,799)
2022		(4,421)
2023		385
Thereafter		3,899

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

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent.

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

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 37,790	$ (189,412)	$ (356,069)

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

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Bedford County School Department for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were $2,331,191, which is 9.08 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liability (Assets). At June 30, 2018, the School Department reported an asset of $237,821 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was 0.727641 percent. The proportion measured at June 30, 2016, was 0.726872 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of $32,486.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 143,375	$ 4,909,871
Changes in Assumptions	2,014,199	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	36,100	0
Changes in Proportion of Net Pension Liability (Asset)	123,767	79,836
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	2,331,191	N/A
Total	$ 4,648,632	$ 4,989,707

The School Department's employer contributions of $2,331,191 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	$ (1,671,990)
2020	760,957
2021	(583,158)
2022	(1,178,075)
2023	0
Thereafter	0

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

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

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

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the

TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 21,339,256	$ (237,821)	$ (18,072,696)

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

2. Deferred Compensation

Bedford County offers its employees a deferred compensation plan established pursuant to IRC Section 457. All costs of administering and funding this program is the responsibility of plan participants. The Section 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 457 establishes participation, contribution, and withdrawal provisions for the plan.

Teachers hired after July 1, 2014, by the School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year the School Department contributed $320,382 and teachers contributed $127,483 to this deferred compensation pension plan.

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

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

OPEB Provided through State Administered Public Entity Risk Pools

Primary Government

Retirees of Bedford County are provided healthcare under a Local Government Plan (LGP) until they reach Medicare eligibility.

The county's total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

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

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2017, TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	LGP - Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing over a 33-year period to an ultimate trend rate of 3.53% with .18% added to approximate the effect of the excise tax
Retirees Share of Benefit Related Cost	Discussed under each plan

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

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

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

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

Closed Local Government OPEB Plan (Primary Government)

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

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

Employees Covered by Benefit Terms

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

	Total
Retirees and Beneficiaries	1
Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	221
Total	222

An insurance committee, created in accordance with *TCA* 8-27-701, establishes the required payments to the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the county paid $7,275 to the LGP for OPEB benefits as they came due.

Changes in the Total OPEB Liability

	Bedford County
Balance July 1, 2017	$ 447,954
Changes for the Year:	
Service Cost	$ 47,367
Interest	14,401
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	0
Changes in Assumption and Other Inputs	(26,731)
Benefit Payments	(4,238)
Net Changes	$ 30,799
Balance June 30, 2018	$ 478,753

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the county recognized OPEB expense of $59,147. At June 30, 2018, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions/Inputs	0	24,110
Net Difference Between Projected and Benefits paid after the measurement date	7,275	0
Total	$ 7,275	$ 24,110

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

Year Ending June 30	Bedford County
2019	$ (2,621)
2020	(2,621)
2021	(2,621)
2022	(2,621)
2023	(2,621)
Thereafter	(11,005)

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

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

Bedford County	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	$ 521,006	$ 478,753	$ 438,958

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

Bedford County	1% Decrease 6 to 3.77%	Current Trend Rate 7 to 4.77%	1% Increase 8 to 5.77%
Total OPEB Liability	$ 414,644	$ 478,753	$ 555,567

Discretely Presented Bedford County School Department

The Bedford County School Department provides healthcare benefits to its certified retirees under the Local Education Plan (LEP) until they reach Medicare eligibility. The certified retirees of Bedford County School Department may then join the Tennessee Plan – Medicare (TNM), which provides supplemental medical insurance for retirees with Medicare. However, the School Department does not provide any subsidy (direct or indirect) to this plan and therefore does not recognize any OPEB liability associated with the TNM.

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

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

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2107 TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing over a 33-year period to an ultimate trend of rate of 3.53% wiith .18% added to approximate the effect of the excise tax
Retirees Share of Benefit Related Cost	Discussed under each plan

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

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

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

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

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

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

Benefits Provided. The Bedford County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with *TCA* 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Bedford County does not provide a direct subsidy and is only subject to the implicit subsidy.

Employees Covered by Benefit Terms

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

	School Department
Inactive Employees or Beneficiaries Currently Receiving Benefits	31
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	872
Total	903

A state insurance committee, created in accordance with *TCA* 8-27-301, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid $185,732 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	Share of Collective Liability		
	Bedford County School Department 64.4767%	State of TN 35.5233%	Total OPEB Liability
Balance July 1, 2017	$ 5,099,674	$ 2,809,654	$ 7,909,328
Changes for the Year:			
Service Cost	$ 330,912	$ 182,316	$ 513,228
Interest	156,062	85,981	242,043
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(262,284)	(144,505)	(406,789)
Benefit Payments	(172,048)	(94,790)	(266,838)
Net Changes	$ 52,642	$ 29,002	$ 81,644
Balance June 30, 2018	$ 5,152,316	$ 2,838,656	$ 7,990,972

The Bedford County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Bedford County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized $254,917 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Bedford County School Department's proportionate share of the collective OPEB liability was 64.4767% and the State of Tennessee's share was 35.5233%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of $717,605, including the state's share of the expense. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 0
Changes of Assumptions/Inputs	0	237,998
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Porportionate Share Amounts Paid by the Employeet and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	185,732	0
Total	$ 185,732	$ 237,998

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

Year Ending June 30	School Department
2019	$ (24,286)
2020	(24,286)
2021	(24,286)
2022	(24,286)
2023	(24,286)
Thereafter	(116,569)

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

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

Discount Rate

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Proportionate Share of the Collective Total OPEB Liability	$ 5,565,263	$ 5,152,316	$ 4,761,199

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

Healthcare Cost Trend Rate

	1% Decrease 6.5 to 2.71%	Current Rate 7.5 to 3.71%	1% Increase 8.5 to 4.71%
Proportionate Share of the Collective Total OPEB Liability	$ 4,511,834	$ 5,152,315	$ 5,918,752

H. Office of Central Accounting, Budgeting, and Purchasing

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

I. Purchasing Laws

Office of Director of Finance

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Bedford

County. All purchase orders are issued by the Finance Department. Purchases exceeding $25,000 for the Office of County Mayor, the Office of Highway Superintendent, and the discretely presented School Department are required to be competitively bid.

J. Subsequent Events

On August 31, 2018, Eugene Ray left the Ofice of County Mayor and was succeeded by Chad Graham.

VI. OTHER NOTES – DISCRETELY PRESENTED EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

A. Summary of Significant Accounting Policies

General Information – On May 15, 1984, the Tennessee state legislature approved the "Tennessee Emergency Communications District Law" (Acts 1984, ch. 867), which enables a county, upon approval by voters, to create a district to provide local emergency telephone service. Subsequently, in July 1987, the county legislative body of Bedford County, Tennessee, approved the establishment of a district for their county, the Emergency Communications District of Bedford County. As provided by the act, the district operates as a governmental organization through the directives of a nine-member board of directors and provides enhanced 9-1-1 emergency telephone services for its service area. The directors serve without compensation for terms of three to four years.

Financial Reporting Entity – Component Unit – Legally, the district is a separate governmental entity that has considerable legal, financial, and administrative autonomy. However, as the governing board is not elected but instead is entirely appointed by the Bedford County Mayor and approved by the Bedford County Commission, the district is considered a component unit of Bedford County.

Pursuant to *Tennessee Code Annotated (TCA),* Section 7-86-114, before issuing negotiable bonds, the district must have approval of the legislative body of the county wherein the district is established. It also must have approval before making purchase contracts, lease agreements, and notes payable of over five years' duration. In addition, the Bedford County Commission has the ability to adjust the district's service charges.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The district does not have the authority to levy or collect taxes but is supported instead by the fees collected from telephone subscribers who benefit from the availability of its service. It recovers the cost of providing its services from its customers. Consequently, the district functions in a manner similar to a private business enterprise.

The accounts of the district are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the district's assets, liabilities, net position, revenues, and expenses. Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues in proprietary fund types are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Budgetary Law and Practice – The treasurer of the district files an annual budget with the mayor of Bedford County in accordance with *TCA*, Title 7, Chapter 86, Part 1. In March of each year, the treasurer presents a preliminary budget to the board of directors. The budget is then discussed and amended as necessary for approval by the board.

The budget for operations is prepared on the cash receipts and disbursements basis by line-item accounts. Revenues are budgeted in the year receipts are expected, and disbursements are budgeted in the year that the disbursements are expected to occur. Capital asset purchases and capital lease payments are budgeted in total.

Capital Assets – Capital assets are stated at cost or estimated historical cost if actual cost is not available. Maintenance, repairs, and minor renewals are expensed while major renewals and betterments are capitalized. The district defines capital assets as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of three years. When items of property are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as non-operating revenue or loss.

Depreciation is provided over estimated useful lives ranging from five to 40 years by the straight-line method.

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

Cash Flow – Cash and Cash Equivalents – The district presents its cash flow statement using the direct method. For purposes of cash flow presentation, the district considers cash in operating bank accounts, cash on hand, amounts invested in State Treasurer's Investment Pool, and certificates of deposit with an original maturity of 90 days or less to be cash and cash equivalents. At June 30, 2018, the district did not hold any certificates of deposit.

Use of Facilities – The district conducts its operations in a building owned by Bedford County at no cost to the district. The measurement of the contribution from Bedford County is not considered significant for disclosure as in-kind support and expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district has five items that qualify for reporting in this category resulting from the pension plan. See note VI.F. for information concerning deferred outflows related to the pension plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The district has three items that qualify for reporting in this category resulting from the pension plan. See VI.F. for further information concerning deferred inflows related to the pension plan.

Pensions – For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/income, information about the fiduciary net position of the district's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the district'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.

B. Cash and Cash Equivalents

Cash and Cash Equivalents

Legal Provisions – The district follows state statutes requiring all deposits with financial institutions to be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

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

At June 30, 2018, the carrying amount of cash deposits was $978,115, and the bank balance was $1,005,213. At June 30, 2018, the entire bank balance was covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool.

Investments

Legal Provisions – State statutes authorize the district to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. These investments may not have a maturity greater than two years. The district has no investment policy that would further limit its investment choices.

Investments in the State Treasurer's Investment Pool are reported at amortized cost. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. As of June 30, 2018, the district had $1,019,325 held in the State Treasurer's Investment Pool. As of June 30, 2018, the district held no investments required to be reported at fair value.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. obligations are implicitly guaranteed by the U.S. government and therefore are not considered to have credit risk. Governmental accounting standards required disclosure of credit quality rating for external pools; however, the State Treasurer's Investment Pool is unrated.

Cash and cash equivalents are presented in the financial statements as follows:

Cash Accounts	Interest Rate	Carrying Amount
Pinnacle Bank checking	1.85%	$ 978,115
State Treasureer's Investment Pool	1.79%	1,019,325
Total		$ 1,997,440

C. Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district obtains insurance coverage covering the above risks of loss through a public entity risk entity pool, Tennessee Risk Management Trust (TRMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The creation of the TRMT provides for it to be self-sustaining through member premiums. Settled claims have not exceeded the coverage in any of the past three fiscal years.

D. Interlocal Agreement

The district and Bedford County have entered into an agreement dated January 15, 2004. The agreement acknowledges the district's authority to manage communications at the central public safety answering point (PSAP) as well as to take the steps considered necessary for the purpose of attaining financial self-sufficiency. Significant terms include the district's responsibility to pay all costs that relate to maintenance of the PSAP equipment, annual budgets of the district will only be approved after acceptance by the county, and provides that the employees of the district shall receive benefits generally provided to the employees of the county. Under the agreement the county must provide funding to the district equal to the net amount of money required to be paid to the district after contributions of the district and other funding sources have been applied. The agreement will automatically renew unless either party give the other written notice subject to certain specifications set out in the agreement.

Though not required by the interlocal agreement, the county has agreed to provide funding to the district equal to the cost of the dispatchers salaries, including benefits. Contributions from the county totaled $416,810 for the year ended June 30, 2018.

E. Capital Assets

Capital assets are summarized as follows:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Depreciated:				
Building and Improvements	$ 253,799	$ 0	$ 0	$ 253,799
Furniture and Fixtures	81,922	0	(600)	81,322
Office Equipment	27,996	0	(3,867)	24,129
Communications Equipment	806,604	57,540	0	864,144
Vehicle	45,150	0	0	45,150
Intangibles	29,152	0	0	29,152
Other Capital Assets	92,654	0	(38,380)	54,274
Total Capital Assets Depreciated	$ 1,337,277	$ 57,540	$ (42,847)	$ 1,351,970
Less Accumulated Depreciation For:				
Building and Improvements	$ 53,387	$ 7,540	$ 0	$ 60,927
Furniture and Fixtures	78,192	3,417	(600)	81,009
Office Equipment	27,948	47	(3,867)	24,128
Communications Equipment	700,570	48,522	0	749,092
Vehicle	45,150	0	0	45,150
Intangibles	13,604	3,166	0	16,770
Other Capital Assets	89,488	2,915	(38,380)	54,023
Total Accumulated Depreciation	$ 1,008,339	$ 65,607	$ (42,847)	$ 1,031,099
Total Capital Assets Depreciated, Net	$ 328,938	$ (8,067)	$ 0	$ 320,871

F. General Information About the Pension Plan

Plan Description – Employees of Bedford County, Bedford County School Department, and the Emergency 911 Communications District of Bedford County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. Because the district shares costs with Bedford County and the Bedford County School Department, the district's plan is considered to be a cost-sharing pension plan.

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

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

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

Contributions – Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The district makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, employer contributions for the district were $18,786 based on a rate of 4.45 percent of covered payroll. By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

At June 30, 2018, the district reported an asset of $177,700 for its proportionate share of the net pension asset. The district's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability (asset) was based on the district's contributions to the plan. At the measurement date of June 30, 2017, the district's proportion was 2.54%. The proportion measured as of June 30, 2016, was 2.23%.

Actuarial Assumptions. The total pension liability as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

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

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market International Equity	5.29		14	
Emerging Market International Equity	6.36		4	
Private Equity and Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the district will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Position Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the district calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

Emergency 911 Communications District of Bedford County		1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability (Asset)	$	(4,103) $	(177,700) $	(320,844)

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

Negative Pension Expense. For the year ended June 30, 2018, the district recognized negative pension expense of $16,041.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the district 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	$ 9,520	$ 13,407
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	162
Changes in proportion of Net Pension Liability (Asset)	0	37,334
Difference between the employer's actual contributions and its proportionate share of total employer contributions	1,551	0
Change in Assumptions	24,662	0
Contributions Subsequent to the Measurement Date of June 30, 2017	18,731	N/A
Total	$ 54,464	$ 50,903

The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ending June 30		Amount
2019	$	(22,499)
2020		9,259
2021		8,652
2022		(10,582)
2023		0
Thereafter		0

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

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

APPENDIX D

BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of **December 31, 2018** and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $**526** million, $**113** million and $**414** million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos**.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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