

OFFICIAL STATEMENT

NEW ISSUE

Rating: S&P: “AA” BAM Insured
“A+” Underlying
(See “MISCELLANEOUS – RATING” herein.)

Book-Entry-Only

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. 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).

\$3,200,000

**BEDFORD COUNTY UTILITY DISTRICT
OF BEDFORD COUNTY, TENNESSEE
Utility System Revenue Refunding Bonds, Series 2021**

Dated: April 30, 2021

Due: February 1 (as indicated below)

The \$3,200,000 Utility System Revenue Refunding Bonds, Series 2021 (the “Bonds”) issued by the Bedford County Utility District of Bedford County, Tennessee (the “District”) 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 August 1, 2021 and thereafter on each February 1 and August 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from and secured by a pledge of revenues to be derived from the operation of the System (as defined herein), on a parity and equality of lien with the Outstanding Parity Bonds (as defined herein), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and subject to a prior pledge of such revenues in favor of the Prior Lien Bonds (as defined herein).

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



The Bonds maturing February 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after February 1, 2029.

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 by the Issuer, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from John T. Bobo, Shelbyville, Tennessee, as counsel to the District. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about April 30, 2021.

Cumberland Securities Company, Inc.
Municipal Advisor

April 8, 2021

\$3,200,000
BEDFORD COUNTY UTILITY DISTRICT
OF BEDFORD COUNTY, TENNESSEE

Utility System Revenue Refunding Bonds, Series 2021

<u>Due</u> <u>(Feb. 1)</u>	<u>Amount</u>	<u>Interest</u>		<u>CUSIP**</u>	<u>Due</u> <u>(Feb. 1)</u>	<u>Amount</u>	<u>Interest</u>		<u>CUSIP**</u>
		<u>Rate</u>	<u>Yield</u>				<u>Rate</u>	<u>Yield</u>	
2022	\$ 315,000	3.00 %	0.25 %	076082BP0	2027	\$ 250,000	3.00 %	0.75 %	076082BU9
2023	260,000	3.00	0.30	076082BQ8	2028	260,000	3.00	0.85	076082BV7
2024	230,000	3.00	0.45	076082BR6	2029	265,000	3.00	1.00	076082BW5
2025	235,000	3.00	0.55	076082BS4	2030	270,000	2.00	1.05	c 076082BX3
2026	240,000	3.00	0.65	076082BT2	2031	225,000	2.00	1.10	c 076082BY1
	\$350,000	2.00 %		Term Bond Due February 1, 2033		@ 1.25 %	c		076082CA2
	\$300,000	2.00		Term Bond Due February 1, 2035		@ 1.45	c		076082CC8

c = Yield to call on February 1, 2029

**Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Issuer makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this *Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this *Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *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 here from, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix F- Specimen Municipal Bond Insurance Policy".

BEDFORD COUNTY UTILITY DISTRICT
OF BEDFORD COUNTY, TENNESSEE

OFFICIALS

David Dickens	<i>President</i>
Todd Davidson	<i>Vice-President</i>
John Jones	<i>Secretary</i>
Frank Cartwright	<i>Commissioner</i>
Kim Neely	<i>Commissioner</i>
John T. Bobo	<i>Legal Counsel</i>

GENERAL MANAGER

Randy Head

COUNSEL TO THE DISTRICT

Branstetter, Stranch & Jennings, PLLC
Nashville, Tennessee

UNDERWRITER

Bernardi Securities
Chicago, Illinois

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

TABLE OF CONTENTS

SUMMARY STATEMENT	i
SECURITIES OFFERED	
Authority and Purpose	1
Refunding Plan	1
Description of the Bonds	1
Security	2
Municipal Bonds Insurance.....	3
Optional Redemption.....	3
Mandatory Redemption.....	4
Notice Redemption	5
BASIC DOCUMENTATION	
Registration Agent	6
Book-Entry-Only System	6
Discontinuance of Book-Entry-Only System	9
Disposition of Bond Proceeds	9
LEGAL MATTERS	
Litigation.....	11
Tax Matters	
<i>Federal</i>	11
<i>State</i>	13
Changes in Federal and State Tax Law.....	13
Closing Certificates	13
Approval of Legal Proceedings.....	14
MISCELLANEOUS	
Rating	15
Competitive Public Sale	15
Municipal Advisor; Related Parties: Other.....	15
Debt Record	16
Additional Debt	17
Continuing Disclosure	17
<i>Five-Year History of Filing</i>	17
<i>Content of Annual Report</i>	17
<i>Reporting of Significant Events</i>	18
<i>Termination of Reporting Obligation</i>	19
<i>Amendment; Waiver</i>	19
<i>Default</i>	19
Bondholder Risk COVID-19	20
Additional Information.....	21
CERTIFICATION OF ISSUER	22

APPENDIX A: LEGAL OPINION

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT –

The District

Location B-1
History B-1
Organization B-1
Powers B-1
Government Body B-2
Board of Commissioners B-2
Management B-2
Employees B-3
Regulation
 State and Local Regulation B-3
 Rate Regulation B-4
 Review Board B-4
 Licenses, Permits and Approvals B-5

The System

Introduction B-6
Waterworks System B-6
Natural Gas System B-8

Operating and Financial History of the System

Systems Operating Revenues B-11
Historical Growth of Systems B-11
Major Customers of Systems B-12
Competition and Franchise Rights B-13
Method of Accounting B-13
Pension Plan B-13
Summary of Operations B-14
Summary of Bonded Indebtedness B-15
Debt Service Requirements B-16
Five-Year Summary of Revenues, Expenditures
 and Changes in Retained Earnings B-17
Historical Debt Service Coverage B-18

Bedford County, Tennessee

Location B-19
General B-19
Government B-19
Transportation B-19
School System B-20
Medical Facilities B-20
Manufacturing and Commerce B-21
Employment Information B-22
Economic Data B-22
Tourism B-23
Recent Developments B-23

APPENDIX D: SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

**APPENDIX E: GENERAL PURPOSE FINANCIAL STATEMENTS –
BEDFORD COUNTY UTILITY BOARD OF BEDFORD COUNTY,
TENNESSEE**

**APPENDIX F: BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE
POLICY**

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 Utility District of Bedford County, Tennessee (the “District” or “Issuer”). See APPENDIX B contained herein.
- Securities Offered..... \$3,200,000 Utility System Revenue Refunding Bonds, Series 2021, maturing February 1, 2022 through February 1, 2031, inclusive, March 1, 2033 and March 1, 2035 (the “Bonds”) of the Issuer. The Bonds will be dated April 30, 2021. See the section entitled “SECURITIES OFFERED” for additional information.
- Security The Bonds are limited obligations of the District payable solely from and secured by a pledge of Net Revenues of the District’s water and gas system (the “System”), on parity and equality of lien with the District’s outstanding Utility System Revenue Refunding Bonds, Series 2013, dated January 30, 2013, and Utility System Revenue Bond, Series 2014, dated August 22, 2014 and the District’s Waterworks Revenue Bonds, authorized by a resolution of the District on October 8, 2020 but not yet issued (the "USDA Bonds") (the "Outstanding Parity Bonds") and any bonds hereafter issued on parity therewith, and subject to prior liens of such revenues in favor of the District’s outstanding Waterworks Revenue Bond, Series 2010, dated June 9, 2011 (the "Prior Lien Bonds"). The punctual payment of principal of and premium, if any, and interest on the Bonds, the Outstanding Parity Bonds and any Parity Bonds hereafter issued shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery and subject to the prior pledge in favor of the Prior Lien Bonds. The Bonds do not constitute a debt of Bedford County, Tennessee, the State of Tennessee, or any political subdivision, agency or instrumentality thereof, or municipal corporation therein, other than the District, and no holder of the Bonds shall have recourse to the taxing power of any such entities. The District has no taxing power.
- Purpose The Bonds are being issued for the purpose of providing funds for (i) refinancing the Outstanding Bonds, as described herein; and (ii) finance the costs of issuing the Bonds.
- Optional Redemption The Bonds maturing February 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after February 1, 2029, 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 Issuer, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion) included herein.
- Bank Qualification The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
- 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 F - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Ratings	S&P's BAM Insured: "AA". S&P's underlying rating "A+". See the section entitled "MISCELLANEOUS - Rating" for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims PLC, Nashville, Tennessee.
Municipal Advisor.....	Cumberland Securities Company, Inc. See the section entitled "MISCELLANEOUS - Municipal Advisor; Related Parities; Others", herein.
Underwriter.....	Bernardi Securities, Chicago, Illinois.
Book-Entry-Only.....	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION – Book-Entry-Only System".
General.....	The Bonds are being issued in full compliance with applicable provisions of the Title 7, Chapter 82, and Title 9, Chapter 21, <i>Tennessee Code Annotated</i> , as supplemented and revised. See the section entitled "SECURITIES OFFERED – Authority and Purpose." The Bonds will be issued with CUSIP numbers 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, the Issuer 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 <i>Official Statement</i> 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 Issuer or the <i>Official Statement</i> , contact Wendell Smith, Sr., President, P.O. Box 2755, Shelbyville, Tennessee 37162, Telephone: 931-684-1667 or the Issuer's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

NET ASSETS
Summary of Changes In Net Assets
For the Fiscal Year Ended June 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning Net Assets	\$14,787,873	\$15,088,492	\$16,396,729	\$17,936,070	\$19,902,243
Revenues	4,171,103	4,466,978	5,238,601	5,475,780	5,477,045
Expenditures	3,674,595	3,798,158	4,213,116	4,436,002	4,157,952
Operating Income	496,508	668,820	1,025,485	1,039,778	1,319,093
Non-Operating Revenues (Expenses)					
Investment Income	(396,134)	(323,352)	(306,643)	(290,957)	(275,211)
Gain/Loss on Disposal of Assets	5,200	1,923	(3,505)	(10,368)	(5,147)
Interest Expense	10,812	15,635	20,275	25,172	69,269
Capital Contributions	184,233	945,211	803,729	1,202,547	2,119,610
Change in Net Assets	300,619	1,308,237	1,539,341	1,966,172	3,227,614
Ending Net Assets	<u>\$15,088,492</u>	<u>\$16,396,729</u>	<u>\$17,936,070</u>	<u>\$19,902,242</u>	<u>\$23,129,857</u>

Source: Financial Statements with Report of Certified Public Accountants.

\$3,200,000
BEDFORD COUNTY UTILITY DISTRICT
OF BEDFORD COUNTY, TENNESSEE
Utility System Revenue Refunding Bonds, Series 2021

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement*, which includes the “Summary Statement” and appendices, is furnished in connection with the offering by the Bedford County Utility District of Bedford County, Tennessee (the “District” or “Issuer”) of its \$3,200,000 Utility System Revenue Refunding Bonds, Series 2021 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 7, Chapter 82, and Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of law and pursuant to a resolution authorizing Utility System Revenue Refunding Bonds duly adopted by the Board of Commissioners (the “Governing Body”) of the District on March 11, 2021 (the “Resolution”).

The Bonds are being issued for the purpose of providing funds for (i) refinancing the Outstanding Bonds, as described below and (ii) finance the costs of issuing the Bonds.

REFUNDING PLAN

The District is proposing to refinance its outstanding Utility System Revenue Refunding Bonds, Series 2015, dated December 10, 2015, maturing February 1, 2022 through February 1, 2035 in the principal amount of \$3,335,000 (the “Outstanding Bonds”). The Outstanding Bonds will be called for redemption on April 30, 2021 at the redemption price of par plus accrued interest.

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

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from April 30, 2021. Interest on the Bonds will be payable semi-annually on February 1 and August 1, commencing August 1, 2020. The Bonds are issuable in registered form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the signature of the District’s President and shall be attested by the signature of the District’s Secretary. 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 authentication noted thereon.

(The remainder of this page left blank intentionally.)

SECURITY

The Bonds are limited obligations of the District payable solely from and secured by a pledge of Net Revenues of the District's water and gas system (the "System"), on parity and equality of lien with the District's outstanding Utility System Revenue Refunding Bonds, Series 2013, dated January 30, 2013, and Utility System Revenue Bond, Series 2014, dated August 22, 2014 and the District's Waterworks Revenue Bonds, authorized by a resolution of the District on October 8, 2020 but not yet issued (the "USDA Bonds") (the "Outstanding Parity Bonds") and any bonds hereafter issued on parity therewith, and subject to prior liens of such revenues in favor of the District's outstanding Waterworks Revenue Bond, Series 2010, dated June 9, 2011 (the "Prior Lien Bonds"). Except as described below (see, Statutory Mortgage Lien), the Bonds do not constitute a charge, lien or encumbrance upon any other District property. The Bonds do not constitute a debt of Bedford County, Tennessee, the State of Tennessee, or any political subdivision, agency or instrumentality thereof, or municipal corporation therein, other than the District, and no holder of the Bonds shall have recourse to the taxing power of any such entities. The District has no taxing power.

The punctual payment of principal of and interest on the Bonds, the Outstanding Parity Bonds and any other bonds hereafter issued on a parity therewith, shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery and subject to the prior pledge in favor of the Prior Lien Bonds. The revenues of the District are required by law and the Resolution to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, to pay principal of and interest on the Prior Lien Bonds, and to pay principal of and interest on the Outstanding Parity Bonds and the Bonds promptly as each becomes due and payable.

See Appendix B for information regarding the District, the District's service area and the System, including the schedule titled "BONDED DEBT SERVICE REQUIREMENTS" on page B-16 listing the District's debt service obligations payable from Net Revenues.

Flow Of Funds

Pursuant to the Resolution, the District has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund established pursuant to the requirements of the resolutions authorizing the Prior Lien Bonds, and after payment in full of amounts due on the Prior Lien Bonds, to the Revenue Fund established by the Resolution. See Appendix C for a description of the flow of funds.

Rate Covenant

Prior to the commencement of each Fiscal Year, the Governing Body will cause to be made an estimate of the revenues and expenditures for the upcoming Fiscal Year, based on rates then in effect, and, based on such estimate, the Governing Body will adjust rates to the extent necessary to produce Net Revenues for the upcoming Fiscal Year (i) equal to not less than 1.20 times the amount of principal (whether by maturity or mandatory redemption) and interest payable during the upcoming Fiscal Year on the Prior Lien Bonds, the Bonds, and any Parity Bonds, (ii) sufficient, in addition, to provide for any required deposits during the upcoming Fiscal Year to the Reserve Fund and any other funds established by the District pursuant to the Resolution and the resolutions authorizing any subordinate lien bonds or pursuant to sound and prudent operating practices as determined by the Governing Body, (iii) sufficient

to pay debt service on any subordinate lien bonds, and (iv) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement, with respect to any Reserve Fund Credit Facility or under any financial guaranty agreement entered into pursuant to the resolutions authorizing the Bonds, the Prior Lien Bonds, Parity Bonds or any subordinate lien bonds.

Bond Fund and Reserve Fund

The District has established the Bond Fund and the Reserve Fund. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Bonds and any Parity Bonds as the same become due, subject to the prior payment of amounts due and payable on the Prior Lien Bonds. The money on deposit in the Reserve Fund will be used to pay the principal of and interest on the Bonds in the event that amounts on deposit in the Bond Fund are insufficient. The Reserve Fund must be funded with cash or a Reserve Fund Credit Facility in an amount equal to the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund Requirement for the Bonds will be funded with a contribution of available funds of the District.

Parity Bonds

The District may, from time to time, issue Parity Bonds under the terms of the Resolution. Such Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Bonds and Outstanding Parity Bonds. See Appendix C for the conditions under which such Parity Bonds may be issued. The District may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Bonds.

Statutory Mortgage Lien

A statutory lien in the nature of a mortgage lien upon the System in favor of the Bonds and any Parity Bonds, subject to a prior lien in favor of the Prior Lien Bonds, is granted and created by the District Act, which mortgage lien is valid and binding upon the District. The System will remain subject to such statutory mortgage lien in favor of the Bonds until payment in full of principal of and interest on the Bonds. See Appendix C.

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 F - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

OPTIONAL REDEMPTION

Bonds maturing February 1, 2030, and thereafter, shall be subject to optional redemption prior to maturity at the option of the Issuer on February 1, 2029 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the District 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-Only 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-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the Issuer shall redeem Bonds maturing February 1, 2033, and February 1, 2035 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
February 1, 2033	February 1, 2032	\$ 200,000
	February 1, 2033*	\$ 150,000
February 1, 2035	February 1, 2034	\$ 150,000
	February 1, 2035*	\$ 150,000

*Final Maturity

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

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Issuer not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Issuer 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 Issuer pursuant to written instructions from an authorized representative of the Issuer (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 Issuer to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

(The remainder of this page left blank intentionally.)

BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent (named herein) 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. 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.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter “Defaulted Interest”) shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Issuer to the persons in whose names the Bonds are registered at the close of business on a date (the “Special Record Date”) for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Issuer shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Issuer shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Issuer to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

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

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close

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

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

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

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”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

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

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

ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the 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 Issuer 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 Issuer will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the Issuer believes to be reliable, but the Issuer, 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 Issuer, 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 as follows:

- (a) an amount, of the Bond proceeds which together with other legally available funds of the District and earnings on such proceeds and funds, will be sufficient to pay principal, accrued interest and redemption premium, as appropriate, on the Outstanding Bonds will be deposited with Regions Bank, in order to pay debt service on the Outstanding Bonds to and including the date of redemption on the closing date at which time the Outstanding Bonds will be redeemed; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs,

Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

(The remainder of this page left blank intentionally.)

LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the District and assuming compliance by the District 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 a preference item for a bondholder under the federal alternative minimum tax.

The Code imposes requirements on the Bonds that the District 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 District 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 District 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 section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

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

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

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

State Taxes

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

tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the District 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 President 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 District 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 President acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the District's President and Secretary 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 District concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

(The remainder of this page left blank intentionally.)

APPROVAL OF LEGAL PROCEEDINGS

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

(The remainder of this page left blank intentionally.)

MISCELLANEOUS

RATING

S&P Global Ratings (“S&P”) has 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 Global Ratings (“S&P”) has given the Bonds and 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, and ratings, liquidity, and market value of Outstanding Bonds obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on April 8, 2021. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated March 26, 2021.

The successful bidder for the Bonds was an account led by Bernardi Securities, Chicago, Illinois (the “Underwriters”) who contracted with the Issuer, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$3,421,309.71 (consisting of the par amount of the Bonds, plus an original issue premium of \$255,599.00 and less an underwriter’s discount of \$34,289.29 which includes a bond insurance premium paid by the Underwriter) or 106.916% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc. has served as Municipal Advisor (the “Municipal Advisor”) to the Issuer 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 Issuer to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the Issuer, including without

limitation any of the Issuer's financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the Issuer, any of its affiliated or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the Issuer 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 Issuer 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 *Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the Issuer and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the Issuer 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 Issuer's Dissemination Agent. If the Issuer chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

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

(The remainder of this page left blank intentionally.)

ADDITIONAL DEBT

The District authorized not to exceed \$4,500,000 of Waterworks Revenue Bonds with U.S.D.A. Rural Development for improvements to the waterworks system at a rate not to exceed 1.75% payable over not to exceed 480 months on a parity with the Bonds and the Outstanding Parity Lien Bonds. A final amortization will be determined once the construction is substantially complete. Additionally, the District has ongoing projects that may or may not require additional debt in the future.

CONTINUING DISCLOSURE

The Issuer will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Issuer by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2021 (the "Annual Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the Issuer. The issuer will provide notice in a timely manner to the MSRB of a failure by the Issuer to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the Issuer with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of District'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 transactions were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, for the past five years, the District has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the District for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the District'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 may be incorporated by reference from other documents, including *Official Statements* in final form for debt issues of the District or related public entities, which have been submitted to each of the Repositories or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final *Official Statement*, in final form, it will be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The District 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 District 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 District 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 District, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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 District, any of which reflect financial difficulties.

Termination of Reporting Obligation. The District'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 Issuer 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 Issuer 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 Issuer. 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 Issuer 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 Issuer 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 Issuer to comply with the Disclosure Certificate shall be an action to compel performance.

BONDHOLDER RISK - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses.

The District was deemed an essential service as a utility provider and allowed to continue to be open to serve customers. The District took measures to ensure the safety of employees and customers, while continuing to provide water and gas services. The office lobby at District headquarters closed indefinitely on March 23, 2020 with drive-thru service available to customers. Due to the financial hardships many of our customers faced, service disconnections for non-payment were suspended through June 30, 2020, increased flexibility with payment arrangements were offered, and payments over the phone were accepted with no fees. Late fees were suspended through June 30, 2020.

Given the evolving nature of the spread of the disease and the behavior of governments, businesses, and individuals in response thereto, the District is unable to predict (i) the extent or duration of the COVID-19 outbreak or other epidemic or pandemic, (ii) the extent or duration of existing and additional quarantines, business-closures, travel restrictions and other measures relating to COVID-19 or other epidemic or pandemic, (iii) whether and to what extent the COVID-19 outbreak or other epidemic or pandemic may adversely affect the operations of the District, or (iv) the impact of COVID-19 on the financial condition of the System. The District is proactively taking steps to preserve effective staffing for all essential District operations.

The District’s customer base is approximately 3.6% commercial versus 96.4% residential, therefore, there has been minimal impact on demand. Revenues from services have decreased 3.8% in the last six months of 2020 compared to the same time period in 2019. The District waived late fees for approximately 13 weeks without significant impact on total revenues. The District anticipates continued flexibility with customer payment arrangements and has not seen a significant rise in accounts receivable or write offs.

The District has also approved policies that provide flexible payment arrangements for customers who cannot pay their entire water bills due to the impact of COVID-19, and the District expects some deferral of revenue during this period.

The District has sufficient liquidity to meet all operating and debt service requirements.

Various types of information regarding employment and income trends within Bedford County are detailed in this Appendix B. This information reflects data prior to the COVID-19 outbreak and may not be reflective of current financial conditions. For example, unemployment rates throughout the United States, including the County, have increased significantly since the COVID-19 pandemic. Furthermore, Appendix B lists the largest employers in the County. The COVID-19 pandemic has affected businesses throughout the United States, including businesses in the Counties and around the region and some of

the employers listed in Appendix B may have been forced to reduce their employment from the levels described in Appendix B. Given the fluidity of the current economic environment, the District is not able to provide sufficiently accurate updates to this information, but is closely monitoring the situation to assess any potential impact to its financial condition and will implement appropriate measures as needed.

ADDITIONAL INFORMATION

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

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

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

The *Preliminary Official Statement* and *Official Statement*, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the Issuer and the purchasers of any of the Bonds. Any statements or information printed in the *Preliminary Official Statement* or this *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 remainder of this page left blank intentionally.)

(The remainder of this page left blank intentionally.)

CERTIFICATION OF ISSUER

On behalf of the Issuer and District, 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.

BEDFORD COUNTY UTILITY DISTRICT OF
BEDFORD COUNTY, TENNESSEE

/s/ Wendell Smith, Sr.

President
Board of Commissioners

ATTEST:

/s/ John Jones

Secretary
Board of Commissioners

APPENDIX A

LEGAL OPINION

April 30, 2021

The Bedford County Utility District of Bedford County, Tennessee
Shelbyville, Tennessee

Bernardi Securities
20 South Clark Street
Suite 2700
Chicago, Illinois 60603

Re: The Bedford County Utility District of Bedford County, Tennessee – Utility System
Revenue Refunding Bonds, Series 2021

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Bedford County Utility District of Bedford County, Tennessee (the "Issuer") of \$3,200,000 Utility System Revenue Refunding Bonds, Series 2021, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.
2. The resolution of the Board of Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The principal of and interest on the Bonds are payable solely from and secured by a pledge of revenues to be derived from the operation of the water and gas system of the Issuer, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said system on parity with the Issuer's Utility System Revenue Refunding Bonds, Series 2013, Utility System Revenue Bond, Series 2014 and the District's Waterworks Revenue Bonds, authorized by a resolution of the District on October 8, 2020 but not yet issued, and subject to a prior pledge of such revenues in favor of the Issuer's outstanding Waterworks Revenue Bond, Series 2010. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Bonds.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set

forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

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

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

Yours truly,

Bass, Berry & Sims PLC

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

BEDFORD COUNTY UTILITY DISTRICT

LOCATION

The Bedford County Utility District (the “District”) mainly supplies water to the rural areas of Bedford County outside the City of Shelbyville (the “City”). However, the District is in no way connected with, governed or controlled by the City. There are also a few customers in a small portion of neighboring Marshall County. The City is located in the south central part of Tennessee in Bedford County (the “County”). The City is also the county seat of the Bedford County. The service area consists primarily of housing subdivisions and rural farmland. The District also has a natural gas distribution system that serves a small group of customers in Bedford County.

HISTORY

The District was incorporated on August 8, 1980 by order of the County Judge of Bedford County pursuant to the provisions of the Utility District Act of 1937 (Title 7, Chapter 82, Parts 1 through 6, *Tennessee Code Annotated* as supplemented and revised) (the “District Act”). The District was created by the consolidation of the Northwest Bedford Utility District of Bedford County, Tennessee; the Bedford Public Utility District of Bedford County, Tennessee and the Southwest Bedford Public Utility District of Bedford County, Tennessee.

ORGANIZATION

The District Act provides that any utility district incorporated thereunder shall be a municipality or public corporation in perpetuity and be a body politic and corporate with power of perpetual succession, but without any power to levy or collect taxes.

The District Act also provides that, as long as the District continues to furnish any of the services which it is authorized to furnish, it shall continue to be the sole public corporation having the power to furnish such services within the boundaries of the District, and no other person, firm or corporation shall furnish or attempt to furnish any of such services in the District, unless and until it shall have been established that the public convenience and necessity require other or additional services.

POWERS

The District Act provides that the District is empowered, among other things, to conduct, operate and maintain a system or systems for the furnishing of water and natural gas and related services. To carry out such purposes, the District has the power and authority to acquire, construct, reconstruct, improve, better, extend, consolidate, maintain and operate such system or systems within or without the District, and to purchase from, furnish, deliver and sell to any municipality, the State, any public institution and the public, generally, any of its services. The District has the power of eminent domain and has the power to issue its negotiable bonds for the purpose of constructing, acquiring, reconstructing, improving, bettering or extending any of its facilities or system or systems and to pledge to the payment of such negotiable bonds all or any part of the revenues derived from the operation of such facilities, system or systems or combination thereof. The District has no power to levy or collect property taxes.

GOVERNING BODY

All corporate powers of the District are vested in and exercised by the Board. The Board members are elected by qualified customers of the District. The Board consists of five members, each of which must reside or own property within the boundaries of the portion of the District that they represent. Each Board member serves a four-year staggered term. A Board member may succeed himself or herself in office.

Pursuant to the District Act, the Board acts by a majority of its members and must meet at least once each quarter. The Board is authorized by the District Act, among other things, to exercise by vote, ordinance or resolution all of the general and specific powers of the District, to make all necessary rules, regulations and bylaws for the management and conduct the affairs of the District, and to issue bonds of the District by resolution of the Board. The individual commissioners receive compensation for their services on a per diem basis in the maximum amount allowable by the District Act for each day's attendance of the meetings of the Board in the performance of their official duties. Pursuant to the District Act, no member of the Board shall draw compensation in excess of \$3,600 for such service during anyone calendar year. In addition, Board members are eligible for group medical insurance coverage as may be provided other employees, or payment of premiums for any equivalent or similar group coverage under the terms of Section 7-82-308, Tennessee Code Annotated.

THE BOARD OF COMMISSIONERS

The following is a list of the current members of the Board of Commissioners:

<u>Name and Occupation</u>	<u>Current Term Expires</u>
David Dickens., President Retailer	December 31, 2023
Todd Davidson, Vice-President Realtor	December 31, 2021
John Jones, Secretary Retired	December 31, 2021
Frank Cartwright, Commissioner Trucking	December 31, 2024
Kim Neeley, Commissioner Farmer	December 31, 2022

MANAGEMENT

The General Manager of the District is employed by the Board and is the chief executive and administrative officer of the District with the responsibility of administering the day-to-day

operations of the District. Randy Head. has served as the General Manager since August 3, 2020 Mr. Head has a total of 21 years' experience with the District.

EMPLOYEES

The District has 24 full-time employees. The breakdown of employment by job description is as follows:

	<u>Number</u>
General Manager	1
Office Manager.....	1
Bookkeeper	1
Customer Service Representatives.....	4
Distribution Manager.....	1
Distribution Operators	9
Water Treatment Plant Manager.....	1
Water Plant Operators.....	<u>6</u>
TOTAL.....	24

The turnover in the District's work force has averaged approximately two employees per year over the last five years. The tenure of District employees presently averages approximately twelve years.

At the present time, no employees of the District are represented by unions. Officials of the District are unaware of any attempts by any union to organize employees of the District, and the District characterizes its relationship with its employees as satisfactory.

REGULATION

State and Local Regulation. The District is required by law to establish and maintain a set of rules and regulations regarding an adjustment of all complaints which may be made to the District concerning the availability of utility services to persons in need thereof, the quality of service performed, the adjustment of bills and all other complaints of any nature, with provisions relating to the manner of resolution of individual complaints, the types of complaints which may be resolved by salaried employees of the District, and those which may be resolved only by the Board. Such rules must be posted or otherwise available in the offices of the District for inspection by customers and members of the public. The District Act provides that the District may not contractually bind itself to issue bonds that would require a rate increase until the users of the system are given notice thereof. The District has complied with this requirement with respect to all current water and gas user rates by publishing notice of same on all customers' bills. Pursuant to the District Act, rates charged and services provided by the District may be reviewed by the Utility Management Review Board.

Upon the filing with the Review Board of a petition signed by a least ten percent of the users within the authorized area of the District, the Review Board has authority to review the rates and services of the District (see the discussion under "THE DISTRICT" - Regulation - Review Board). In addition, the District is required to have its books and records audited annually by a certified public accountant, a public accountant, or by the Division of Local

Government Audit of the Comptroller of the Treasury of the State. The Comptroller of the Treasury of the State, through the Division of Local Government Audit, makes a determination as to whether the annual audit of the District has been prepared in accordance with generally accepted governmental auditing standards and whether the audits meet the minimum standards prescribed by the Comptroller. The Comptroller has promulgated rules and regulations to assure that the books and records of utility district are kept in accordance with generally accepted accounting procedures and that audit standards prescribed by the Comptroller are met. The District must file a copy of the audit with the State Comptroller and with the County Mayor of Bedford County.

Rate Regulation. The District is required by the District Act to charge such rates as shall be sufficient to pay operation and maintenance expenses and to pay principal of and interest on all bonds or notes secured by revenues of the System. The Board determines the rates paid by the District's customers. The District is required to publish within ninety days after the close of its fiscal year a statement showing the financial condition of the District and the earnings of the District. Any water and/or gas user customer of the District may file with the Board a protest concerning the rates within thirty (30) days of the publication of the statement. The Board must then give notice of a hearing to determine the validity of the protest and whether the published rates are reasonable. After the Board makes its determination, the customer may seek review of the Board's action and the Review Board, as discussed below, with the right of judicial review by common law writ of certiorari to a court within the county of the District's principal office.

Review Board. In 1987, the State legislature established a utility management review board (the "Review Board") for the purpose of advising utility district boards of commissioners throughout the State in the area of utility management. The Review Board consists of nine (9) members consisting of the State Commissioner of Environment, the State Comptroller of the Treasury, and seven (7) members appointed by the Governor, three (3) of whom shall be experienced utility district managers, three (3) of whom shall be experienced utility district commissioners. The Review Board is given the power, among other things, to review any decision of any utility district relating to rate changes upon petition of any customer of the district, to compel the adoption of and adherence to rules and regulations for the adjustment of customer complaints, hear customer protests of rates or appeal from a hearing before the Board of Commissioners of the District, to oversee operations of "financially distressed utility districts", including the power to compel rate increases sufficient to be in compliance with State law and all covenants with bondholders and compel consolidation with another utility. A "financially distressed utility district" is a district (i) which has failed to charge rates sufficient to pay the costs of operation and maintenance of the system, including depreciation and reserves therefore, as well as to pay all bonds and interest thereon secured by the revenues of the system, including reserves therefore, for a period of two (2) consecutive years, or (ii) which is in default on any outstanding indebtedness, or (iii) which has a retained earnings deficit. The Review Board may not take any action which would adversely impair the obligations of contract or the payment of outstanding bonds of the District. Any party to a proceeding before the Review Board may appeal to a local court seeking review of any action taken.

The District Act contains several exemptions pertaining to the jurisdiction of the Review Board over gas utilities districts. Generally, gas utility districts are exempt from the jurisdiction of the Review Board, except the Review Board does have jurisdiction to hear appeals of customer protests of rates after a hearing before the Board of Commissioners of the District. The Review Board also may review and conduct a hearing of any decision of the District regarding

the reasonableness of the District's requirement that a customer or developer build utility systems to be dedicated to the District or the reasonableness of fees or charges against a customer or developer related to such utility systems.

Licenses, Permits and Approval. In the opinions of the General Manager and Counsel to the District, the District has received all licenses, permits and approvals necessary for the operation of the System.

[balance of page left blank]

THE SYSTEMS

INTRODUCTION

The District provides services consisting of (i) the treatment and distribution of water to its customers through its Waterworks System; and (ii) provides natural gas through its Natural Gas System. The District provides no other services to its customers.

WATERWORKS SYSTEM

The District obtains its water from the Duck River. The District owns and maintains a water treatment and pumping facility capable of providing up to four million gallons a day. According to the District, current normal demand is approximately 2.0 million gallons per day. The District maintains eight water storage tanks that have a total capacity of approximately 3.4 million gallons.

The District's water distribution and transmission system consists of approximately 495 miles of main line throughout various areas and communities of Bedford County outside the City of Shelbyville and a small portion of Marshall County. The distribution and transmission system consists of one treatment facility, five pumping stations and system lines.

Physical Plant. The Water System consists of a 4 M.G.D. conventional filtration plant and intake on the Duck River and 8 water storage reservoirs holding 3.4 million gallons of water. The intake at the Water Plant is powered by 2 alternating raw water pumps, which have capacities of 2,800 gallons each per minute. All of the pumps are electrically driven. The plant produces an average of 2.3 million gallons per day (M.G.D.) and can treat 4 M.G.D. At present, the total treatment capacity of the system is 4 million gallons per day with the ability to expand to 8 M.G.D. It must be noted that the peak day demand is considerably higher than the average daily demand.

The District's distribution system consists of approximately 495 miles of supply lines sized 2 inch to 18 inch.

Billing Units of the Water System. The following table sets forth the average number of billing units served by the Water System during each of the five fiscal years indicated and categorized by type of unit for the same periods.

NUMBER OF WATER SYSTEM CUSTOMERS BY CLASS

(Fiscal Year Ended June 30)

<u>Customer Class</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	6,178	6,360	6,526	6,670	6,784
Commercial / Industrial	<u>242</u>	<u>238</u>	<u>247</u>	<u>248</u>	<u>255</u>
TOTAL	<u>6,420</u>	<u>6,598</u>	<u>6,773</u>	<u>6,918</u>	<u>7,039</u>

Source: Audited Financial Statements and the District.

Water Consumption. For each of the fiscal years indicated, the following table sets forth the number of gallons of water pumped by the District, the total number of gallons of water consumed by the District's customers, and the number of gallons consumed by each billing unit type.

WATER CONSUMPTION
(in gallons)
(Fiscal Year Ended June 30)

<u>Year</u>	<u>Total Water Billed Residential & Commercial</u>	<u>Water to Operate Plant, Blowoffs & Fire Department</u>	<u>Total Water Pumped</u>	<u>Water Lost</u>
2016	445,542,600	78,401,000	640,327,000	116,383,400
2017	471,993,100	38,481,000	701,459,000	190,984,900
2018	449,805,900	64,337,000	707,609,000	193,466,100
2019	495,958,600	63,437,000	691,567,000	132,171,400
2020	488,668,900	71,447,000	654,752,000	94,636,100

Source: Audited Financial Statements and the District.

Water Revenues. For each of the fiscal years indicated, the following table sets forth the total amount of revenues collected.

TOTAL WATER REVENUES
(Fiscal Year Ended June 30)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
TOTAL	<u>\$3,232,227</u>	<u>\$3,508,055</u>	<u>\$3,658,007</u>	<u>\$3,891,115</u>	<u>\$3,951,242</u>

Source: Audited Financial Statements and the District.

Water System Demand. For each of the fiscal years indicated, the following table sets forth peak and average demand.

WATER SYSTEM DEMAND
(Fiscal Year Ended June 30)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Peak Demand (million gallons)	3.700	3.278	3.731	3.174	3.392
Average Demand (million gallons)	1.998	2.063	2.084	2.162	2.047

Source: Audited Financial Statements and the District.

[balance of page left blank]

Water System Rates. The District's current rate schedule (in effect as of June 30, 2020) is as follows:

Residential:	
First 1,500 gallons - minimum	\$17.00
All over 1,500 gallons	6.63 per 1,000 gallons
1 inch meter:	
First 5,000 gallons – minimum	\$39.75
All over 5,000 gallons	6.63 per 1,000 gallons
2 to 3 inch meter:	
First 25,000 gallons – minimum	\$169.75
All over 25,000 gallons	6.63 per 1,000 gallons
4 inch meter:	
First 50,000 gallons – minimum	\$332.25
All over 50,000 gallons	6.63 per 1,000 gallons
6 inch meter:	
First 62,000 gallons – minimum	\$413.50
All over 62,000 gallons	6.63 per 1,000 gallons
8 inch meter:	
First 75,000 gallons – minimum	\$494.75
All over 75,000 gallons	6.63 per 1,000 gallons
12 inch meter:	
First 100,000 gallons – minimum	\$657.25
All over 100,000 gallons	6.63 per 1,000 gallons

NATURAL GAS SYSTEM

The District is in its twentieth complete year of establishing a natural gas system in its service area. With stability of the wholesale price and supply of natural gas, the customer base has become less reluctant to switch to natural gas from other heating sources when replacing or updating their old equipment, resulting in the District adding several new connections. The District continues an aggressive market plan based on incentives and rebates to build a customer base utilizing direct mail.

Facilities. The District began construction of its natural gas system in May, 2000. Actual transport and sale of natural gas by the District began on January 3, 2001. The District currently operates and maintains a piping system consisting of fifty-seven (57) miles of main distribution piping and twenty-two (22) miles of service line piping. All piping in the District is either cathodically protected, coated, welded steel piping or polyethylene piping. This piping system is operated and maintained by District personnel and contract construction companies.

Source of Natural Gas Supply. The District receives its natural gas through its gate station located on the East Tennessee Natural Gas Company corridor line to Shelbyville,

Tennessee. The District has in service approximately fifty-seven (57) miles of natural gas pipeline operating in its system, one (1) gate station and two (2) regulator stations.

Billing Units of the Gas System. The following table sets forth the average number of billing units served by the Gas System during each of the five fiscal years indicated and categorized by type of unit for the same periods.

NUMBER OF GAS SYSTEM CUSTOMERS BY CLASS
(Fiscal Year Ended June 30)

<u>Customer Class</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	275	289	311	312	324
Commercial / Industrial	<u>31</u>	<u>34</u>	<u>38</u>	<u>46</u>	<u>49</u>
TOTAL	<u>306</u>	<u>323</u>	<u>349</u>	<u>358</u>	<u>373</u>

Source: Audited Financial Statements and the District.

Gas Consumption. For each of the fiscal years indicated, the following table sets forth the total throughput (MCF) consumed by each billing unit type.

TOTAL THROUGHPUT (MCF) BY CUSTOMERS CLASS
(Fiscal Year Ended June 30)

<u>Customer Class</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	11,348	11,290	16,815	15,764	16,399
Commercial / Industrial	<u>56,201</u>	<u>55,913</u>	<u>83,275</u>	<u>78,070</u>	<u>81,216</u>
TOTAL	<u>67,549</u>	<u>67,203</u>	<u>100,090</u>	<u>93,834</u>	<u>97,615</u>

Source: Audited Financial Statements and the District.

Gas Revenues. For each of the fiscal years indicated, the following table sets forth the total amount of revenues collected.

TOTAL GAS REVENUES
(Fiscal Year Ended June 30)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
TOTAL	\$778,772	\$774,770	\$1,333,837	\$1,284,668	\$1,234,257

Source: Audited Financial Statements and the District.

[balance of page left blank]

Gas System Demand. For each of the fiscal years indicated, the following table sets forth peak and average demand.

GAS SYSTEM DEMAND
(Fiscal Year Ended June 30)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Peak Demand (Dth)	944	792	1,347	1,178	1,522
Average Demand (Dth)	191	189	272	258	279

Source: Audited Financial Statements and the District.

Gas System Rates. The District's current gas rate schedule (in effect as of June 30, 2020) is as follows:

Residential/Commercial

Customer Monthly Charge	\$10.00
Per MCF	12.00
Purchase Gas Adjustment (PGA) Base	3.00

Agriculture-Commercial Rate

Customer Monthly Charge	10.00
Per MCF (thousand cubic feet) (with PGA)	12.00
Purchase Gas Adjustment (PGA) Base	3.00

[balance of page left blank]

OPERATING AND FINANCIAL HISTORY OF THE SYSTEMS

SYSTEMS OPERATING REVENUES

The following table sets forth for each of the fiscal years indicated gross operating revenues for the Waterworks and Gas Systems.

OPERATING REVENUES BY SYSTEMS (Fiscal Year Ended June 30)

<u>System</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Waterworks	\$3,232,227	\$3,508,055	\$3,658,007	\$3,891,115	\$3,951,242
Natural Gas	<u>778,772</u>	<u>774,770</u>	<u>1,333,837</u>	<u>1,284,668</u>	<u>1,234,257</u>
TOTAL REVENUES	<u>\$4,010,999</u>	<u>\$4,282,825</u>	<u>\$4,991,844</u>	<u>\$5,175,783</u>	<u>\$5,185,499</u>

Source: Audited Financial Statements and the District.

HISTORICAL GROWTH OF SYSTEMS

The following table sets forth for each of the fiscal years indicated the number of customers for the Waterworks and Gas Systems.

HISTORICAL SYSTEM GROWTH (Fiscal Year Ended June 30)

<u>Year</u>	<u>Number of Water Customers</u>	<u>Number of Gas Customers</u>	<u>Total</u>
2016	6,420	306	6,726
2017	6,598	323	6,921
2018	6,773	349	7,122
2019	6,918	358	7,276
2020	7,039	373	7,412

Source: Audited Financial Statements and the District.

[balance of page left blank]

MAJOR CUSTOMERS OF SYSTEMS

The following is a list of the major water and gas customers of the District for the fiscal year ended June 30, 2020.

TOP TEN SYSTEM CUSTOMERS (Fiscal Year Ended June 30, 2020)

	<u>Customer</u>	<u>Type of Business</u>	<u>Sales</u>	<u>% of Total Sales</u>
1.	TNT #1	Poultry grower	\$ 149,809	2.8%
2.	TNT # 2	Poultry grower	137,111	2.6%
3.	SMW Automotive	Auto parts supplier	125,739	2.4%
4.	Robert Breeding- Lucky Rooster	Poultry grower	106,846	2.0%
5.	Bedford Poultry	Poultry grower	95,539	1.8%
6.	Joey Jenkins	Poultry grower	92,994	1.8%
7.	Russ Jarrell	Poultry grower	88,540	1.7%
8.	Robert Breeding- Palmetto	Poultry grower	83,512	1.6%
9.	Walmart DC	Distribution center	74,482	1.4%
10.	Tenova Healthcare	Hospital	<u>63,507</u>	<u>1.2%</u>
	TOTAL		<u>\$1,018,070</u>	<u>19.3%</u>

Source: The District.

TOP TEN WATER CUSTOMERS (Fiscal Year Ended June 30, 2020)

	<u>Customer</u>	<u>Type of Business</u>	<u>Sales</u>	<u>% of Total Sales</u>
1.	Walmart DC	Distribution center	\$ 54,464	1.4%
2.	Tenova Healthcare	Hospital	52,918	1.3%
3.	Joey Jenkins	Poultry grower	42,490	1.1%
4.	Robert Breeding- Lucky Rooster	Poultry grower	41,396	1.0%
5.	TNT #1	Poultry grower	39,413	1.0%
6.	Ricky Reed	Poultry grower	28,622	0.7%
7.	Larry Hornaday	Poultry grower	22,966	0.6%
8.	Robert Breeding- Palmetto	Poultry grower	19,811	0.5%
9.	Keith Raney	Poultry grower	18,935	0.5%
10.	Robert Breeding- Henny Penny	Poultry grower	<u>17,271</u>	<u>0.4%</u>
	TOTAL		<u>\$338,286</u>	<u>8.5%</u>

Source: The District.

COMPETITION AND FRANCHISE RIGHTS

The District Act provides that as long as the District continues to furnish any of the services which it is authorized to furnish, it shall continue to be the sole public corporation having the power to furnish such services within the boundaries of the District, and no other person, firm or corporation shall furnish or attempt to furnish any of such services within said boundaries. The District Act provides certain limited exceptions to the exclusive service right. The District Act provides that the exclusive right to serve may be lost if it can be established that the public convenience and necessity requires other or additional services. The District's right to serve also is subject to prior rights of a municipality to serve newly annexed territories pursuant to Section 6-51-101 et. seq., Tennessee Code Annotated. The District Act further grants to municipalities the prior right to serve areas outside their boundaries if the areas are not within the boundaries of a utility district authorized to provide the service or are not already being served by a utility district. Further, any acquisition of service area must be done in such a way as to fully preserve and protect the contract rights vested in owners of bonds or other obligations of the utility district.

METHOD OF ACCOUNTING

This District utilizes the accrual method of accounting. Provision for depreciation of the utility plant in service has been made on the straight-line method over the estimated useful lives of the assets. Depreciation is not considered on any capital item until the same is actually placed in operation. Plant contributed by developers is included at the developer's cost. Material and supply inventories are stated at the lower of cost (first in, first out method) or market. Sales revenue is recorded monthly based on meter readings subsequent to the delivery and consumption of the product by the customer. Revenues are not accrued for usage in the annual reports of the District from the last meter reading date to June 30. Amounts received from developers and customers for capital improvements are recorded as contributions in-aid-of construction. Bond discounts and issuance expenses are amortized during the period bonds are outstanding using the straight-line method of amortization. The District capitalizes bond interest expenses during the construction phase of expansion of the distribution system.

PENSION PLANS

The District provides an income tax deferred retirement savings plan. An employee may contribute the portion of his or her salary that is allowed by law, with the District contributing an amount equal to the employee's contribution, up to five percent of salary. The Board of Commissioners approved the following employee's contribution rates effective December 1, 1996:

<u>Years of Service</u>	<u>Percent</u>
90 days - less than 1 year	1%
1 year - less than 2 years	2%
2 years - less than 3 years	3%
3 years- less than 4 years	4%
4 years or more	5%

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

SUMMARY OF OPERATIONS

The financial statements of the District for the year ended June 30, 2020 has been examined by John R. Poole, CPA, Hendersonville, Tennessee, independent accountant, whose report thereon appears herein.

[balance of page left blank]

BEDFORD COUNTY UTILITY DISTRICT
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2020 OUTSTANDING (1)
\$ 1,350,000	(2) Waterworks Revenue Bonds, Series 2010 (Outstanding Prior Lien Bonds)	2049	Fixed	\$ 1,160,280
4,475,000	(3) & (4) Utility Revenue Refunding Bonds, Series 2013 (Outstanding Parity Bonds)	06/01/39	Fixed	3,505,000
750,000	(3) Utility Revenue Bonds, Series 2014 (Outstanding Parity Bonds)	08/30/26	Fixed	418,952
5,400,000	(3) Utility Revenue Refunding Bonds, Series 2015 (Parity Bonds)	02/01/35	Fixed	3,770,000
\$ 11,975,000	TOTAL OUTSTANDING BONDED DEBT			\$ 8,854,232
\$ 3,200,000	(3) Utility Revenue Refunding Bonds, Series 2021 (Parity Bonds)	02/01/35	Fixed	\$ 3,200,000
(5,400,000)	Less: Bonds Refunded (2015 Bonds) (Outstanding Parity Lien Bonds)			(3,335,000)
\$ 9,775,000	TOTAL PROPOSED BONDED DEBT			\$ 8,719,232

NOTES:

(1) The above figures do not include leases or other short-term debt, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein. The District authorized not to exceed \$4,500,000 of Waterworks Revenue Bonds with U.S.D.A. Rural Development for improvements to the waterworks system at a rate not to exceed 1.75% payable over not to exceed 480 months on a parity with the Bonds and the Outstanding Parity Lien Bonds. A final amortization will be determined once the construction is substantially complete.

(2) Senior Debt

(3) Subordinated Debt

(4) \$320,000 of the Series 2013 Bonds are supported by the water system and \$3,185,000 are supported by the gas system. The 2013 Bonds are payable from utility system revenue.

BEDFORD COUNTY UTILITY DISTRICT
BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended	As of June 30, 2020 Senior Revenue Supported Debt (Water Only) (Outstanding Prior Lien Bonds)				As of June 30, 2020 Subordinated Revenue Supported Debt (Water and Gas) (Outstanding Parity Bonds)				Less: Refunded Bonds (Series 2015)				Utility System Revenue Refunding Bonds, Series 2021				Series 2021 Parity Bonds)				Total Subordinated Bonded Debt Service Requirements (Water and Gas) (Outstanding Parity Bonds & Series 2015 Bonds)				Total Bonded Debt Service Requirements (Water and Gas) (Prior Lien Bonds - Outstanding Parity Bonds and Series 2015 Bonds)				(All Bonds) Percent Total Principal Repaid
	Principal	Interest	TOTAL	Percent	Principal	Interest	TOTAL	Percent	Principal	Interest	TOTAL	Percent	Principal	Interest	TOTAL	Percent	Principal	Interest	TOTAL	Percent	Principal	Interest	TOTAL	Percent	Principal	Interest	TOTAL		
2021	\$ 24,603	\$ 37,361	\$ 61,964	0.00%	\$ 637,791	\$ 227,211	\$ 865,002	0.00%	\$ 637,791	\$ 227,211	\$ 865,002	0.00%	\$ 524,701	\$ 187,222	\$ 711,922	84.4%	\$ 662,394	\$ 264,572	\$ 926,966	7.60%	\$ 662,394	\$ 264,572	\$ 926,966	84.4%	\$ 524,701	\$ 187,222	\$ 711,922		
2022	25,403	36,569	61,972		504,701	213,074	717,775		504,701	213,074	717,775		476,669	193,054	669,723		502,898	228,805	731,703		502,898	228,805	731,703		476,669	193,054	669,723		
2023	26,229	35,751	61,980		476,669	201,554	678,223		476,669	201,554	678,223		453,097	179,464	632,561		488,747	214,370	703,117		488,747	214,370	703,117		453,097	179,464	632,561		
2024	27,081	34,906	61,987		463,697	190,564	654,261		463,697	190,564	654,261		440,786	166,167	606,953		501,809	200,201	702,010		501,809	200,201	702,010		440,786	166,167	606,953		
2025	28,870	33,134	61,995		475,786	179,297	655,083		475,786	179,297	655,083		427,939	152,672	580,611		457,178	171,339	628,517		457,178	171,339	628,517		427,939	152,672	580,611		
2026	29,808	32,204	62,012		442,270	154,584	596,854		442,270	154,584	596,854		430,000	126,638	556,638		482,810	129,336	612,146		482,810	129,336	612,146		430,000	126,638	556,638		
2027	30,777	31,244	62,020		440,000	129,563	569,563		440,000	129,563	569,563		440,000	100,106	540,106		448,876	106,805	555,681		448,876	106,805	555,681		440,000	100,106	540,106		
2028	32,810	29,230	62,040		455,000	116,394	571,394		455,000	116,394	571,394		450,000	88,631	538,631		448,876	106,805	555,681		448,876	106,805	555,681		450,000	88,631	538,631		
2029	33,876	28,174	62,050		425,000	103,031	528,031		425,000	103,031	528,031		415,000	77,719	492,719		448,876	106,805	555,681		448,876	106,805	555,681		415,000	77,719	492,719		
2030	34,977	27,083	62,060		405,000	89,569	494,569		405,000	89,569	494,569		395,000	70,138	465,138		448,876	106,805	555,681		448,876	106,805	555,681		395,000	70,138	465,138		
2031	36,114	25,957	62,071		370,000	75,638	445,638		370,000	75,638	445,638		355,000	63,388	418,388		448,876	106,805	555,681		448,876	106,805	555,681		355,000	63,388	418,388		
2032	37,287	24,794	62,081		385,000	63,113	448,113		385,000	63,113	448,113		365,000	56,700	421,700		448,876	106,805	555,681		448,876	106,805	555,681		365,000	56,700	421,700		
2033	38,499	23,593	62,092		385,000	49,650	434,650		385,000	49,650	434,650		365,000	50,000	415,000		448,876	106,805	555,681		448,876	106,805	555,681		365,000	50,000	415,000		
2034	39,751	22,354	62,105		225,000	35,638	260,638		225,000	35,638	260,638		225,000	3,000	228,000		448,876	106,805	555,681		448,876	106,805	555,681		225,000	3,000	228,000		
2035	41,042	21,074	62,116		230,000	27,200	257,200		230,000	27,200	257,200		230,000	18,000	248,000		448,876	106,805	555,681		448,876	106,805	555,681		230,000	18,000	248,000		
2036	42,376	19,752	62,128		240,000	18,000	258,000		240,000	18,000	258,000		240,000	8,400	248,400		448,876	106,805	555,681		448,876	106,805	555,681		240,000	8,400	248,400		
2037	43,754	18,387	62,141		210,000	8,400	218,400		210,000	8,400	218,400		210,000	-	210,000		448,876	106,805	555,681		448,876	106,805	555,681		210,000	-	210,000		
2038	45,176	16,979	62,155		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2039	46,644	15,524	62,168		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2040	48,160	14,022	62,182		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2041	49,725	12,471	62,196		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2042	51,341	10,870	62,211		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2043	53,010	9,217	62,227		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2044	54,732	7,510	62,242		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2045	57,511	5,748	63,259		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2046	59,880	3,896	63,776		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2047	61,106	1,968	63,074		-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2048					-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
2049					-	-	-		-	-	-		-	-	-		448,876	106,805	555,681		448,876	106,805	555,681		-	-	-		
	\$ 1,160,280	\$ 644,058	\$ 1,804,338		\$ 7,693,952	\$ 2,192,145	\$ 9,886,097		\$ 7,693,952	\$ 2,192,145	\$ 9,886,097		\$ 3,333,000	\$ 686,983	\$ 4,020,983		\$ 3,200,000	\$ 506,847	\$ 3,706,847		\$ 7,538,952	\$ 2,012,005	\$ 9,550,957		\$ 8,219,232	\$ 2,456,062	\$ 10,675,295		

NOTES:

(1) The above figures do not include leases or other short-term debt, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein. The District authorized not to exceed \$4,500,000 of Waterworks Revenue Bonds with USDA Rural Development for improvements to the waterworks system at a rate not to exceed 1.75% payable over not to exceed 480 months on a parity with the Bonds and the Outstanding Parity Lien Bonds. A final amortization will be determined once the construction is substantially complete.

(2) Average Coupon of 2.41%.

BEDFORD COUNTY UTILITY DISTRICT

Five Year Summary of Revenues,
Expenses and Changes in Net Assets

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Revenues:					
Metered Sales	\$ 4,008,699	\$ 4,277,975	\$ 4,987,194	\$ 5,175,783	\$ 5,185,499
Tap Fees and Connection Fees	56,424	65,362	167,097	212,041	288,742
Other income	105,980	123,641	84,310	87,956	2,804
Total Operating Revenues	\$ 4,171,103	\$ 4,466,978	\$ 5,238,601	\$ 5,475,780	\$ 5,477,045
Operating Expenses:					
Salaries	\$ 667,005	\$ 765,555	\$ 819,728	\$ 799,742	\$ 836,278
Employee Benefits	390,671	453,178	475,788	494,601	513,960
Meter Reading	14,197	13,189	20,777	20,413	45,936
Customer Records	56,554	56,389	60,383	65,292	68,477
Repair and Maintenance	396,716	402,196	390,854	749,112	457,731
Laboratory Expenses	27,850	24,709	26,751	33,774	24,857
Office Expenses	34,133	37,738	41,727	53,543	50,601
Natural Gas Purchased	300,054	303,829	575,077	448,122	301,107
Materials and Supplies	205,125	206,203	245,957	207,851	261,803
Contract Services	141,882	41,626	49,327	63,151	16,768
Utilities	231,892	258,523	251,351	235,076	243,619
Amortization	-	-	-	-	-
Depreciation	1,125,017	1,145,958	1,171,548	1,177,195	1,244,413
Insurance	41,761	42,393	39,544	41,907	42,399
Contractual Payments	22,577	23,600	22,490	23,790	24,130
Miscellaneous	19,161	23,072	21,814	22,433	25,873
Total Operating Expenses	\$ 3,674,595	\$ 3,798,158	\$ 4,213,116	\$ 4,436,002	\$ 4,157,952
Operating Income	\$ 496,508	\$ 668,820	\$ 1,025,485	\$ 1,039,778	\$ 1,319,093
Non-Operating Revenues (Expenses):					
Investment Income	\$ (396,134)	\$ (323,352)	\$ (306,643)	\$ (290,957)	\$ (275,211)
Gain/Loss on Disposal of Assets	5,200	1,923	(3,505)	(10,368)	(5,147)
Interest Expense	10,812	15,635	20,275	25,172	69,269
Total Non-Operating Rev. (Exp.)	\$ (380,122)	\$ (305,794)	\$ (289,873)	\$ (276,153)	\$ (211,089)
Income (Loss) before contributions	\$ 116,386	\$ 363,026	\$ 735,612	\$ 763,625	\$ 1,108,004
Capital Contributions-Utility Plant	184,233	945,211	803,729	1,202,547	2,119,610
Change in Net Assets	\$ 300,619	\$ 1,308,237	\$ 1,539,341	\$ 1,966,172	\$ 3,227,614
Net Assets - PY	\$ 14,787,873	\$ 15,088,492	\$ 16,396,729	\$ 17,936,070	\$ 19,902,243
Prior Year Corrections/Other	-	-	-	-	-
Net Assets - PY (Restated)	14,787,873	15,088,492	16,396,729	17,936,070	19,902,243
Net Assets	\$ 15,088,492	\$ 16,396,729	\$ 17,936,070	\$ 19,902,242	\$ 23,129,857

Source: Audited Financial Statements of the Bedford County Utility District, TN.
For additional information, please see the individual Audited Financial Statements for each year.

BEDFORD COUNTY UTILITY DISTRICT

HISTORICAL DEBT SERVICE COVERAGES - (Prior Lien Bonds , Outstanding Parity Bonds and Series 2021 Bonds)

Existing Senior and Subordinated Bonds

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Revenues	\$ 4,171,103	\$ 4,466,978	\$ 5,238,601	\$ 5,475,780	\$ 5,477,045
Operating Expenses Before Depreciation	<u>2,549,578</u>	<u>2,652,200</u>	<u>3,041,568</u>	<u>3,258,807</u>	<u>2,913,539</u>
Net Income Before Depreciation	\$ 1,621,525	\$ 1,814,778	\$ 2,197,033	\$ 2,216,973	\$ 2,563,506
Other Income (Expenses)	(195,889)	639,417	513,856	926,394	1,908,521
Other Fees and Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Income Available for Debt Service	<u>\$1,425,636</u>	<u>\$2,454,195</u>	<u>\$2,710,889</u>	<u>\$3,143,367</u>	<u>\$4,472,027</u>
Annual Debt Service ⁽¹⁾ - (Prior Lien Bonds and Outstanding Parity Bonds)	\$925,822	\$915,445	\$937,213	\$922,976	\$919,772
Historical Coverage Ratio - (Prior Lien Bonds and Outstanding Parity Bonds)	1.54 x	2.68 x	2.89 x	3.41 x	4.86 x
Maximum Debt Service on all outstanding and proposed Bonds (Prior Lien Bonds , Outstanding Parity Bonds and Series 2021 Bonds) (2022)	\$773,894	\$773,894	\$773,894	\$773,894	\$773,894
Historical Coverage Ratio	1.84 x	3.17 x	3.50 x	4.06 x	5.78 x

(1) Annual Debt Service is derived from the notes to the Audited Financial Statements in the FINANCIAL STATEMENTS of the District. Principal and Interest paid are derived from the cash flow statements of the Audited Financial Statements. The District authorized not to exceed \$4,500,000 of Waterworks Revenue Bonds with U.S.D.A. Rural Development for improvements to the waterworks system at a rate not to exceed 1.75% payable over not to exceed 480 months on a party with the Bonds and the Outstanding Parity Lien Bonds. A final amortization will be determined once the construction is substantially complete.

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

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.

Land area in the County totals 474 square-miles, of which the vast majority is farmland. Bedford County is well known for its cattle and horse farms and is the home each August to the Tennessee Walking Horse National Celebration.

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.

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 2020 enrollment was 8,965 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 2018 enrollment was 835 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 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 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, and many others), agri-business (Tyson Foods), and distribution.

Bemis Company. Established in 1858, Bemis Company is one of the largest manufacturers of packaging products and related items in the United States. Its products include labels, signage materials, sheets, mounting films, tapes, and cold and thermal laminates. The company provides packaging products under the brand name MACtac. It offers digital printing, graphic design, coating, engineering, film extrusion, laminating and converting services. It operates more than 50 locations in over 10 countries worldwide.

Calsonic Kansei North America. Nissan's largest North American parts supplier, Calsonic, has three Tennessee locations in Lewisburg, Shelbyville and Smyrna. Calsonic's products include automotive climate control electronics, cooling and exhaust systems. The Shelbyville facility manufactures exhaust units, catalytic converters and manifolds. In 2015 the company underwent a \$109 million expansion that brought 1,200 new jobs all three locations. In 2014 the Shelbyville facility received a \$57.6 million investment.

Jostens Inc. 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 Brands. Newell Brands is a leading manufacturer and distributor of consumer goods including appliances and cookware, writing products, home fragrance and more. Newell Brands and its subsidiaries currently employ more than 1,000 Tennesseans across the state.

Sanford Corporation. Sanford Corporation is one of the world's leading manufacturers and suppliers of Pencils. The company was founded in 1857. The company produces many writing instruments, including Indelible, and Woodcase graphite pencils. It also produces erasers, and other drawing/writing accessories. Contents[show] Sanford Today Sanford now goes under the names Berol, PaperMate, Sharpie, Sanford (South America Only), Design, and ProsumaColor.

Tyson Foods, Inc. Tyson Foods, one of the world's largest food companies, operates facilities in Goodlettsville, Newbern, Shelbyville, Humboldt and Union City in Tennessee. The company employs more than 5,500 in the state.

The 231 North Business Park (86 acres) in Shelbyville is one of the Select Tennessee Certified Sites Program has helped communities prepare industrial sites for private investment and job creation since 2012. The certification process ensures that each certified site meets high quality standards and are primed for development. Certified sites must have documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access. The program's goal is to give companies detailed and reliable information during the site selection process and markets the sites to a targeted group of site selection consultants and business leaders in Tennessee's key industry clusters. As of January 2021, sixty-five sites in Tennessee have been certified and 23 companies have invested over \$1.8 billion in capital investment to construct facilities on certified sites, accounting for more than 7,200 new job commitments.

Source: Tennessee Department of Economic and Community Development.

Major Employers located in Bedford County

<u>Company</u>	<u>Product/Service</u>	<u>Employment</u>
Tyson Foods Inc.	Poultry Processing	1,270
Calsonic Mfg. Corp.	Cooling/Heating/Exhaust Systems	1,190
Bedford County Schools	Education	1,034
Newell Rubbermaid / Sanford	School Supplies	800
Wal-Mart Distribution Center	Retail	479
National Pen Corp.	Pencils/Pens	475
Big G Express, Inc.	Trucking	367
Albea (Pechiney, Alcan)	Plastic Tubes	335
Bedford County	Government	330
Heritage Medical Center	Hospital	320
Titan Transfer, Inc.	Cargo Transportation	284
Albea Americas, Inc.	Cosmetics	250
Century Mold Co. Inc.	Plastic Injection Molding	185
Coriscana Bedding Inc.	Mattresses box springs	160
City of Shelbyville	Government	150
Chassix	Steering	120
Cooper Steel	Steel Fabrication	110
Musgrave Pencil Company	Pencil Manufacturer	85
Abstretch LLC	Plastic Sheets	85

Source: Middle Tennessee Industrial Development Association, Tennessee Department of Economic & Community Development, and the County Audit - 2020.

EMPLOYMENT

Due to the national rise in unemployment due to COVID-19 in the spring of 2020, the rates for the County for December 2020 do not represent the usual unemployment rate.

The unemployment rate for the Shelbyville mSA and Bedford County as of December 2020 was 6.2% representing 20,156 persons employed out of a workforce of 21,491. As of December 2020, the unemployment rate in the Nashville-Murfreesboro CSA stood at 5.2%, representing 1,108,621 persons employed out of a workforce of 1,169,908.

[balance of page left blank]

The following chart shows unemployment trends for the last five years:

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	5.3%	4.9%	4.4%	3.6%	3.9%
Tennessee	5.6%	4.7%	3.8%	3.5%	3.4%
Shelbyville mSA & Bedford County	6.5%	5.0%	4.0%	3.8%	3.7%
Index vs. National	123	102	91	106	95
Index vs. State	116	106	105	109	109
Nashville-Murfreesboro-CSA	4.5%	3.7%	3.0%	2.8%	2.6%
Index vs. National	85	76	68	78	67
Index vs. State	80	79	79	80	76

Source: Tennessee Department of Labor and Workforce Development.

ECONOMIC DATA

	Per Capita Personal Income				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
National	\$47,058	\$48,978	\$49,870	\$51,885	\$54,446
Tennessee	\$40,801	\$42,593	\$43,726	\$44,950	\$46,900
Shelbyville mSA & Bedford County	\$33,533	\$34,123	\$35,087	\$35,799	\$37,266
Index vs. National	71	70	70	69	68
Index vs. State	82	80	80	80	79
Nashville-Murfreesboro-CSA	\$48,134	\$50,644	\$52,497	\$54,127	\$56,628
Index vs. National	102	103	105	104	104
Index vs. State	118	119	120	120	121

Source: Bureau of Economic Analysis.

[balance of page left blank]

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Bedford County</u>	<u>Shelbyville</u>
Median Value Owner Occupied Housing	\$217,500	\$167,200	\$151,100	\$124,500
% High School Graduates or Higher Persons 25 Years Old and Older	85.2%	87.5%	82.1%	77.9%
% Persons with Income Below Poverty Level	10.5%	13.9%	13.9%	20.2%
Median Household Income	\$62,843	\$53,320	\$50,415	\$41,716

Source: U.S. Census Bureau State & County QuickFacts - 2019.

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

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. Then, two months after that purchase, Newell Rubbermaid (one of the County's largest employer) merged with Jarden Corp. for \$13.2 billion.

Newell Rubbermaid Brands. Newell Rubbermaid Brands in 2020 announced plans to expand its existing 211,000-square-foot facility in Shelbyville. The consumer goods manufacturer will create 115 new jobs and invest \$11 million in Bedford County over the next five years. Newell had 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

[balance of page left blank]

APPENDIX C

SUMMARY OF BOND RESOLUTION

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following briefly summarizes certain terms and provisions of the resolution adopted by the Board of Commissioners of the District on December 1, 2012, as supplemented and amended, which authorizes the issuance and sale of the Series 2021 Bonds (the "Resolution"). This summary is not a complete explanation of the terms and conditions of the Resolution. Reference is made to the Resolution for a complete statement of the terms, provisions and conditions thereof. A copy of the Resolution may be obtained from the District at P.O. Box 2755, Shelbyville, TN 37162, Attn: General Manager.

Definitions of Certain Terms

"Acquired System" shall mean any water procurement, treatment, storage or distribution system and/or any gas storage, collection, manufacturing, transmission and distribution system hereafter constructed, acquired or otherwise established by the District pursuant to the Act;

"Act" means Section 7-82-101 et seq., Tennessee Code Annotated;

"Bond Fund" shall mean the Principal and Interest Sinking Fund established in the Resolution;

"Bonds" means the Series 2013 Bonds, the Series 2014 Bonds, the Series 2020 Bonds, the Series 2021 Bonds and any Parity Bonds;

"Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical bond certificates in fully registered form are issued to a Depository, or to its nominee as registered owner, with the certificate of bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the District or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in those bonds;

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder;

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the District provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility;

"Current Expenses" means expenses incurred by the District in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, the cost of producing potable water, salaries and wages, cost of material and supplies, and insurance premiums, but shall exclude depreciation, amortization and interest on any bonds, notes or other obligations of the District;

"Debt Service Requirement" means the total principal and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the District or any paying agent for the Bonds or other obligations of the District), for any period of 12 consecutive calendar months for which such a determination is made, provided the Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the District, either (1) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period

immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Adviser;

“Defeasance Obligations” shall mean any obligations which at the time of the purchase thereof are permitted investments under the Act or other applicable Tennessee law for the purpose of defeasing Bonds;

“Depository” means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC;

“District” means The Bedford County Utility District of Bedford County, Tennessee;

“DTC” means The Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns;

“Financial Adviser” means an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the District for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the District, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

“Financial Guaranty Agreement” shall mean any Financial Guaranty Agreement authorized in the Resolution to be executed in connection with a Reserve Fund Credit Facility;

“Fiscal Year” means the fiscal year adopted by the District from time to time;

“Governing Body” means the Board of Commissioners of the District;

“Gross Earnings” means all revenues, rentals, earnings and income of the District from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System and all amounts realized from the investment of funds of the System (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the District); provided, however, at the election of the Governing Body, the term “Gross Earnings” as used herein shall not include any revenues, rentals, earnings or other income received by the District from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds;

“Loan Agreement” shall mean any agreement or contract entered into by the District whereby a third party agrees to advance funds to the District and the District agrees to repay those funds with interest;

“Maximum Annual Debt Service Requirement” means the maximum annual Debt Service Requirement for any Fiscal Year of the District;

“Net Revenues” shall mean Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses;

“Parity Bonds” means any other bonds, notes, Loan Agreements, and other debt obligations, including Variable Rate Indebtedness, issued or entered into by the District on a parity with the Bonds herein authorized in accordance with the restrictive provisions of the Resolution, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings;

“President” means the duly elected and acting President of the Governing Body, or any other member of the Governing Body acting in the capacity of President when the elected and acting President is unavailable or incapable of acting;

“Prior Lien Bonds” means the District’s outstanding Water Revenue Refunding Bonds, Series 2006 and Waterworks Revenue Bond, Series 2010;

“Rating” means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations;

“Rating Agencies” or “Rating Agency” means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency;

“Reserve Fund” shall mean the Debt Service Reserve Fund established in the Resolution;

“Reserve Fund Credit Facility” means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds;

“Reserve Fund Credit Facility Issuer” means the issuer of a Reserve Fund Credit Facility rated in the second-highest rating category (without regard to gradations within such category) by each Rating Agency that rates such Reserve Fund Credit Facility Issuer and which also rates any Bonds secured by such Reserve Fund Credit Facility;

“Reserve Fund Requirement” means an amount determined from time to time by the District as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds pursuant to the resolution authorizing such Bonds. With respect to the Series 2013 Bonds, the Series 2014 Bonds and the Series 2021 Bonds authorized herein, the Reserve Fund Requirement shall be the least of (a) 10% of the original stated principal amount of such Bonds; (b) the Maximum Annual Debt Service Requirement on such Bonds, on a Fiscal Year basis; or (c) 125% of the average annual principal and interest requirement for such Bonds, on a Fiscal Year basis, including principal payable by reason of the mandatory redemption provisions of such Bonds;

“Revenue Fund” shall have the Revenue Fund established in the Resolution;

“Secretary” means the duly elected and acting Secretary of the Governing Body, or any other member of the Governing Body acting in the capacity of Secretary when the elected and acting Secretary is unavailable or incapable of acting;

“Series 2013 Bonds” means the District’s Utility System Revenue Refunding Bonds, Series 2013;

“Series 2014 Bonds” means the District’s and Utility System Revenue Bond, Series 2014;

“Series 2020 Bonds” means the District’s Utility System Revenue Bond, Series 2020 (authorized but not yet issued);

“Series 2021 Bonds” means the District’s and Utility System Revenue Refunding Bonds, Series 2021;

“State” means the State of Tennessee;

“Subordinate Lien Bonds” means bonds, notes, Loan Agreement or other debt obligations issued pursuant to this Resolution but with a lien subordinate to the Bonds;

“System” means the waterworks and gas system of the District, and shall include all facilities hereafter acquired, constructed or otherwise established, together with and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System; and

“Variable Rate Indebtedness” means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

Application of Revenues and Creation of Funds

As long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the District in the Revenue Fund established pursuant to and currently operated in accordance with the requirements of the resolutions authorizing the Prior Lien Bonds, and after payment in full of amounts due on the Prior Lien Bonds, to the Revenue Fund established by the Resolution (each, the "Revenue Fund"), administered and controlled by the District. The funds so deposited shall be used only as follows:

- a. The following funds, accounts and subaccounts are hereby established, and the money deposited in such funds, accounts and subaccounts shall be held in trust for the purposes set forth in this Resolution:
 - 1) Waterworks and Gas System Revenue Fund (the “Revenue Fund”) to be held by the District;

- 2) Principal and Interest Sinking Fund (the “Bond Fund”) to be held by the District, and within the Bond Fund:
 - a) Interest Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.
 - b) Principal Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.
 - 3) Debt Service Reserve Fund (the “Reserve Fund”), with an account for each series of Bonds which has a Reserve Fund Requirement; provided an account therein may be utilized for more than one series of Bonds if all such series of Bonds are specified in the resolution authorizing such Bonds to share a pledge of such account and have a combined Reserve Fund Requirement. Nothing herein shall prohibit the District from issuing one or more series of Bonds without a Reserve Fund Requirement and no deposit to the Reserve Fund and no Reserve Fund Credit Facility shall be required in connection therewith.
- b. As long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the District to the Revenue Fund hereby established (the “Revenue Fund”), administered and controlled by the District. The funds so deposited in the Revenue Fund created under this Resolution shall be used only as follows:
- 1) The money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.
 - 2) The money thereafter remaining in the Revenue Fund shall be next be used for the payment of principal and interest on the Prior Lien Bonds.
 - 3) The money thereafter remaining in the Revenue Fund shall next be used to make deposits into the Sinking Fund to be further deposited in the Interest Account and the Principal Account as set forth herein and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the defeasance provisions of this resolution. Each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts; provided that greater amounts shall be deposited to account for any initial period of less than six months following the issuance of Bonds. Each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts; provided that greater amounts shall be deposited to account for any initial period of less than 12 months following the issuance of

Bonds. No further deposit shall be required as to any Bonds when the Sinking Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date and the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the District as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds.

- 4) The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.
- 5) To the extent any series of the Bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the District, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in any subaccount of said Fund shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, satisfy the contractual obligations set forth in the resolutions authorizing the Prior Lien Bonds, be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of

the Reserve Fund Requirement may be released to be used by the District for legally permissible purposes.

At the option of the District, the District may satisfy the Reserve Fund Requirement applicable to a series of Bonds, or a portion thereof, by providing for the benefit of owners of such series of Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of Bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the District for legally permissible purposes. In the event any Reserve Fund Credit Facility Issuer, or any successor thereto, shall cease to have a rating required for a Reserve Fund Credit Facility Issuer or any Reserve Fund Credit Facility becomes unenforceable for any reason, within 90 days from the date the District receives notice of either of said events, the District shall either substitute a new Reserve Fund Credit Facility or Facilities or commence funding the Reserve Fund from Net Revenues as required by the preceding paragraph hereof, or a combination thereof. At any time during the term hereof, the District shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of Section 12 hereof with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the District shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect. The President is authorized to act for the District in determining whether to provide the Reserve Fund Credit Facility for the Bonds.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the District, from Revenues after payment of Current Expenses, satisfaction of the contractual obligations set forth in the resolutions authorizing the Prior Lien Bonds and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided in the Resolution.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the defeasance terms of the Resolution, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the District shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

Notwithstanding anything in the Resolution to the contrary, the District may issue Parity Bonds or Subordinate Lien Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds or Subordinate Lien Bonds.

- 6) The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any Subordinate Lien Bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by the District for any legally permissible purpose, as the Governing Body shall determine.
- c. Money on deposit in the Funds described in this Section may be invested by the District in such investments as shall be permitted by applicable law, as determined by an authorized representative of the District, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature more than two years from the date the money is so invested. The District is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.
 - d. The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the District and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance

Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

Covenants Regarding the Operation of the System. The District hereby covenants and agrees with the owners of the Bonds so long as any of the Bonds shall remain outstanding:

- a. The District shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto.
- b. The District shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the District shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.
- c. The District will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the District as certified by such accountant or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:
 - 1) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;
 - 2) A statement showing beginning and ending balances of each Fund described herein;
 - 3) A balance sheet as of the end of the Fiscal Year;
 - 4) The accountant's comments regarding the manner in which the District has carried out the requirements of this Resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;
 - 5) A list of insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;
 - 6) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;
 - 7) The disposition of any Bond proceeds during the Fiscal Year;

- 8) A statement as to all breaches or defaults hereunder by the District of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The District further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within 180 days after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the District relating thereto. If the District fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the District.

- d. The District will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State, including the making and collecting of reasonable and sufficient rates for services rendered by the System, and will apply the revenues of the System to the purposes and Funds specified in this Resolution.
- e. The District shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:
 - 1) for 100% of the Current Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the District; and
 - 2) such that Net Revenues in each Fiscal Year:
 - a. will equal at least 120% of the Debt Service Requirement on all Bonds and Prior Lien Bonds, and 100% of the Debt Service Requirement on any Subordinate Lien Bonds or other obligations then outstanding for such Fiscal Year;
 - b. will enable the District to make all required payments, if any, into the Reserve Fund and on any Credit Facility Agreement;
 - c. will enable the District to accumulate an amount, which, in the judgment of the District, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;
 - d. will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this Resolution from prior Fiscal Years; and
 - e. will permit the District to comply with the terms of any agreement that the District has entered into.

- f. The District will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, provided that:
- 1) The District is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;
 - 2) Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth herein or in the resolutions authorizing the Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;
 - 3) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System and the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and
 - 4) The District shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

- g. Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Current Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant set forth in subsection (e) above, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. The District covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that the District will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution of the Governing Body.

- h. The District will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the District by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.
- i. For the purpose of assuring the efficient, impartial and non-political operation of the System for the benefit of the District and the owners of the Bonds from time to time outstanding, the complete and independent control and operation of the System shall continue to be vested in the Governing Body, subject, however, to the obligation and duty on the part of the Governing Body to carry out and perform faithfully all of the covenants and agreements contained herein. It is agreed with the owners from time to time of the Bonds and made a part of the contract rights which will vest in such owners at the time of delivery of the Bonds that the System will be so operated by the Governing Body.

Remedies of Bond Owners

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the District by the provisions of the Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms of the Resolution.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said obligations, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the District with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Current Expenses, and to apply the income and revenues thereof in conformity with the provisions of the Resolution.

Prohibition of Prior Lien; Parity Bonds

The District will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on parity with the Bonds under the following conditions but not otherwise:

- a. Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such Bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:
 - 1) the District shall have obtained a report from a Financial Adviser demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, as applicable; and

- 2) the requirements of subsections (b)(2), (3) and (4) below are met with respect to such refunding.
- b. Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:
- 1) There shall have been procured and filed with the District a report by a Financial Adviser or a certificate by the General Manager of the District, or his or her designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 120% of Maximum Annual Debt Service Requirement on all Bonds and Prior Lien Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used.
 - 2) The District shall have received, at or before issuance of the Parity Bonds, a report from a Financial Adviser or a certificate of the General Manager of the District, or his or her designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the extent required under the resolutions authorizing Bonds with a Reserve Fund Requirement, if any, and any Reserve Fund Requirement applicable to the Parity Bonds will be funded to the extent required under the applicable resolution immediately following the issuance of the proposed Parity Bonds.
 - 3) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of nationally recognized bond counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.
 - 4) The Secretary shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that the District is in compliance with all requirements of this Resolution.
- c. All the provisions and covenants of this Resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of

owners of the Bonds, the issuance of additional bonds, modification of this Resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of this Section in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

- d. Notwithstanding anything herein to the contrary, each series of Parity Bonds may be issued with or without a Reserve Fund Requirement, may require cash funding of the Reserve Fund, if any, and may provide for the funding of the Reserve Fund, if any, over such period of time as is acceptable to the purchaser of such Parity Bonds all as specified in the resolution authorizing such Parity Bonds. Any such Parity Bonds shall be secured only by the Reserve Fund specified in the resolution authorizing such series of Parity Bonds and shall have no right to receive any payment from the Reserve Fund established for any other series of bonds, whether such additional bonds are issued as Parity Bonds or Subordinate Lien Bonds. Any series of Parity Bonds may be issued in Book-Entry Form and may be registered in the name of DTC or such other Depository as may be determined by the District, all to be specified in the resolution authorizing such Parity Bonds.
- e. In addition to Parity Bonds issued in accordance with the foregoing, the District may issue Subordinate Lien Bonds, subject to the terms to this Resolution or otherwise, provided that the security for such Subordinate Lien Bonds shall be subject in all respects to the lien in favor of the Bonds.
- f. The punctual payment of principal of, premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues, without priority by reason of number or time of sale or execution or delivery. Parity Bonds shall benefit on an equal and parity basis from the statutory mortgage lien on the System established in favor of the Bonds.

Modification of Resolution

The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission in the Resolution.

In addition to the amendments to the Resolution without the consent of registered owners as referred to above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the District but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the District) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; *provided, however*, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the Bonds, as to:

- (a) Make any change in the maturities or redemption dates of the Bonds;
- (b) Make any change in the rates of interest borne by the Bonds;

- (c) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
- (d) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
- (e) Affect the rights of the registered owners of less than all of the Bonds then outstanding; or
- (f) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

Whenever the District shall propose to amend or modify the Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the District for public inspection.

Whenever at any time within one (1) year from the date of mailing of said notice there shall be filed with the Secretary of the Governing Body an instrument or instruments executed by the registered owners of a least a majority in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, hereupon, but not otherwise, the District may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds. If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as in the Resolution provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the District from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond or Parity Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the District office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

Discharge and Satisfaction of Bonds

If the District 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, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it; and if the District shall also pay or cause to be paid all other sums payable hereunder by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, 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 District to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

Except as otherwise provided in the Resolution, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to the Resolution 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 premium, if any, 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 District 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 premium, if any, 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 District, as received by the Registration Agent.

15338620.1

ANNUAL FINANCIAL REPORT
OF
BEDFORD COUNTY UTILITY DISTRICT
OF BEDFORD COUNTY, TENNESSEE
FOR THE FISCAL YEAR ENDED
June 30, 2020

The General Purpose Financial Statements are extracted from the Annual Financial Report of Certified Public Accountants of the District for the fiscal year ended June 30, 2020, which is available upon request from the District.

BEDFORD COUNTY UTILITY DISTRICT

Annual Financial Report

For the Year Ended
June 30, 2020

BEDFORD COUNTY UTILITY DISTRICT

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Roster of Officials	i
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12 - 19
SUPPLEMENTAL SCHEDULES:	
Statement of Net Position – Natural Gas Department	20
Statement of Revenues, Expenses and Changes in Net Position – Natural Gas Department ..	21
Statement of Net Position – Water Department	22
Statement of Revenues, Expenses and Changes in Net Position -Water Department	23
Statement of Cash Flows – by Department	24
Schedule of Debt Service Requirements- Natural Gas Department	25
Schedule of Debt Service Requirements – Water Department	26
Schedule of Cash and Cash Equivalents	27
Schedule of Utility Rates	28
Schedule of Unaccounted for Water	29-30
Schedule of Changes in Long-Term Debt by Individual Issue	31
INTERNAL CONTROL AND COMPLIANCE	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33-34
Schedule of Disposition of Prior Year Comments	35

INTRODUCTORY SECTION

BEDFORD COUNTY UTILITY DISTRICT

Officials of the Bedford County Utility District

June 30, 2020

<u>Name</u>	<u>Title</u>
Elected Officials:	
Wendell Smith, Sr.	President
David Dickens	Vice President
John Jones	Secretary
Todd Davidson	Treasurer
Randy Head	Commissioner
Management:	
Gene C. (Buddy) Koonce, Jr. P.E.	General Manager
Marie Moore	Office Manager
Danny Warren	Distributor Manager
Willie West	Treatment Plant Manager

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Bedford County Utility District
Shelbyville, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the Bedford County Utility District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bedford County Utility District as of June 30, 2020, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters -Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis 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. I 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Introductory Section, Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Supplementary Information (except for the Schedule of Unaccounted for Water) 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 my opinion, the Supplementary Information (except for the Schedule of Unaccounted for Water) is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section, Schedule of Unaccounted for Water, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2020 on the consideration of the District's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of the 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 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 the entity's internal control over financial reporting and compliance.

John R Poole, CPA

September 30, 2020

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

**BEDFORD COUNTY UTILITY DISTRICT
OF BEDFORD COUNTY, TENNESSEE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Bedford County Utility District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read this analysis in conjunction with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The District's Net Position has increased by \$3,227,614 or approximately 16.2 percent.

The District's operating revenues increased by \$1265 or about .0231 percent, while operating expenses decreased by \$278,050 or about 6.2 percent.

Contributions and transfers consisting of tap fees - in excess of cost, federal grants and contributions - developers totaled \$2,119,610 for the current year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Position (all departments) (page 9) and Statements of Revenue, Expenses, and Changes in Net Position (all departments) (page10) provide information about the activities of the District as a whole and present a long-term view of the District's finances. Departmental Financial Statements report the District's operations in more detail than the District wide statement by providing information about the District's most significant activity.

THE DISTRICT AS A WHOLE

The Combined Statement of Net Position and Combined Statement of Revenue, Expenses, and Changes in Net Position

Our analysis of the District begins on page 3. The Combined Statement of Net Position and Combined Statement of Revenue, Expenses and Changes in Net Position are used to report information about the District as a whole and about its activities in a way to answer the question “Is the District better or worse off as a result of the year’s activities?” These statements include all assets and liabilities using the accrual basis of accounting, except that in accordance with policies consistently followed, the District does not accrue the unbilled revenue from the dates of the most recent meter readings to the financial statement date. All revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the District’s net position and changes in net position. One can think of the District’s net position as the difference between assets and liabilities as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating.

In the Combined Statement of Net Position and Combined Statement of Revenue, Expenses, and Changes in Net Position, the District charges its customers to cover all or most of water and natural gas service it provides.

DEPARTMENTAL FINANCIAL STATEMENTS

Our analysis of the District’s Departments begins on page 4. The Departmental Financial Statements provide detailed information about each Department, not the District as a whole. Departmental reporting is required by the State Comptroller’s Office and by bond covenants.

When the District charges customers for the water and natural gas services it provides, these services are reported as proprietary funds. Proprietary funds are the same as business type activities and require more detail and additional information, such as Statements of Cash Flows.

THE DISTRICT AS A WHOLE

The District’s combined net position increased from \$19,902,242 to \$23,129,857 this year or \$3,227,614. This contrasts with last year’s increase of net position in the amount of \$1,966,172. Reviewing the combined net position and combined revenue and expenses of the District, a distinct difference is reported. Our analysis below focuses on the net position and changes in net position of the Water and Natural Gas Departments.

Inter-departmental receivables and payables for the Water Department which are included in the individual statements as reflected above in current and other assets and liabilities have been eliminated in the combined financial statements. Amounts eliminated are \$1,150,433 for 2020 and \$1,500,267 for 2019.

Total assets for the water department increased \$2,327,155 in 2020. Total assets for the natural gas department decreased \$2,072 in 2020. Long term debt and other liabilities for the water department decreased \$362,216 in 2020. Long term debt and other liabilities for the natural gas department decreased \$540,316. Total long-term debt and other liabilities for the combined financial statement decreased \$552,698.

Table 2
Changes in Net Position

	Water Department		Natural Gas Department	
	2020	2019	2020	2019
Operating revenue	\$ 4,233,538	\$ 4,180,821	\$ 1,243,507	\$ 1,294,959
Operating expenses	3,573,966	3,731,541	583,986	704,461
Income from operations	\$ 659,572	\$ 449,280	\$ 659,521	\$ 590,498
Interest income	\$ 67,548	\$ 23,455	\$ 1,722	\$ 1,717
Interest expense	(152,212)	(163,666)	(122,999)	(127,291)
Miscellaneous	(5,147)	(9,984)		(384)
Total non-operating revenues (expenses)	\$ (89,811)	\$ (150,195)	\$ (121,277)	\$ (125,958)
Income (loss) before contributions & transfers	\$ 569,761	\$ 299,085	\$ 538,244	\$ 464,540
Tap fees - in excess of costs	\$ 87,016	\$ 90,932		
State-Federal grants	1,921,203	\$ 57,789	\$ 0	\$ 0
Contributions-developers	111,390	365,851		664,905
Change in net Position	\$ 2,689,371	\$ 813,657	\$ 538,244	\$ 1,129,445

The District's Water Department operating revenue increased by \$52,717 while operating expenses decreased \$157,575. Water revenue increased as a result of increase of water sales in 2020. Operating expenses decreased as a result of greater utilization of employees and equipment.

The decrease in Natural Gas Department operating revenue is due to warmer weather last winter compared to the previous winter and more stable natural gas prices. However, this decrease in revenue was offset by a significant decrease in expenses primarily due to few surcharges imposed by the gas supplier during the winter.

CAPITAL ASSET AND DEBT ADMINISTRATION

Property, Plant and Equipment

At the end of 2020, the District had \$25,943,565 invested in property, plant and equipment, including land, structures, standpipes, and transmission and distribution lines. This represents a net increase (including additions and retirements) of \$2,552,932 from 2019. The increase in property, plant and equipment was due to new projects that were completed and closed out in 2020.

Debt

The District had \$8,856,529 in bonds and notes payable at year-end compared with \$9,501,060 the prior year or a decrease of \$644,531. (See Table 3 below).

Table 3
Long-Term Debt at Year End
(Including Current Portion)

	Water Department		Natural Gas Department	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue bonds	\$ 5,240,280	\$ 5,694,198	\$ 3,616,249	\$ 3,806,892
Interim financing		0		0
Total long-term debt including current	\$ 5,240,280	\$ 5,694,198	\$ 3,616,249	\$ 3,806,892

New debt or reduction of debt resulted mainly from:

Water Department:

The decrease in revenue bonds was the result of the normal scheduled payments on all bonds.

Natural Gas Department:

The decrease in revenue bonds was the result of the normal scheduled payments on all bonds.

Natural Gas Department:

The District is in its nineteenth (19th) complete year of establishing a natural gas system in its service area. The relative stability of the wholesale price and supply of natural gas worked in the District's favor this past year. The District maintained the \$12.00 per MCF base price for gas. In addition, the District has seen increased usage by relatively new customers this year which enhances the operating income. Even though the District realized a slight drop in revenue as compared to 2019, gas costs to the supplier dropped significantly.

The budget year ending June 30, 2021, should result in an even better net position for the following reasons:

1. The price of Natural Gas remains competitive and stable in recent years.
2. The District continues to add more Residential and a large Commercial customer.
3. The District continues to use purchase gas adjustment (PGA) to price gas to the District's customers.

FINANCIAL STATEMENTS

BEDFORD COUNTY UTILITY DISTRICT

Statement of Net Position

June 30, 2020

Assets

Current Assets:

Cash and cash equivalents	\$4,844,009
Cash and cash equivalents - restricted	246,977
Certificate of deposit- restricted	833,980
Customer accounts receivable, net of allowance	448,837
Prepaid expenses	29,515
Inventory	207,808
Total Current Assets	<u>6,611,126</u>

Capital Assets:

Construction in progress	584,858
Utility plant in service	49,338,543
Less accumulated depreciation	<u>(23,979,836)</u>
Total Capital Assets, Net	<u>25,943,565</u>

Total Assets \$32,554,691

Liabilities

Current Liabilities

Accounts payable	144,499
Accrued expenses	191,260
Unavailable revenues	32,250
Customer deposits	110,200
Current portion of long-term debt	653,887
Total Current Liabilities	<u>1,132,096</u>

Long-term debt 8,202,642

Premiums on Long-term debt 90,096

Total Liabilities \$9,424,834

Net Position:

Net investment in capital assets	16,996,940
Restricted - debt service	1,080,957
Unrestricted	5,051,960
Total Net Position	<u>23,129,857</u>

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

BEDFORD COUNTY UTILITY DISTRICT

**Statement of Revenues, Expenses
and Changes in Net Position**

For the Year Ended June 30, 2020

Operating Revenues:	
Metered sales	5,185,499
Installation and tap fees	288,742
Other revenues	2,804
Total Operating Revenues	<u>5,477,045</u>
Operating Expenses:	
Salaries	836,278
Employee benefits	513,960
Meter reading	45,936
Customer records	68,477
Repair and maintenance	457,731
Laboratory expenses	24,857
Office expenses	50,601
Natural gas purchased	301,107
Materials and supplies	261,803
Contract services	16,768
Utilities	243,619
Depreciation	1,244,413
Insurance	42,399
Contractual payments	24,130
Miscellaneous	25,873
Total Operating Expenses	<u>4,157,952</u>
Operating income (loss)	<u>1,319,093</u>
Nonoperating Revenues (Expenses):	
Interest expense	(275,211)
Loss on sale of capital assets	(5,147)
Interest income	69,269
Total Nonoperating Revenues (Expenses)	<u>(211,089)</u>
Capital Contributions	<u>2,119,610</u>
Net change in position	3,227,614
Net Position, July 1, 2019	<u>19,902,243</u>
Net Position, June 30, 2020	<u><u>\$23,129,857</u></u>

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

BEDFORD COUNTY UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2020

Cash Flows from Operating Activities:	
Cash received from customers	\$5,455,335
Cash paid to employees	(1,464,651)
Cash paid to suppliers	(1,422,823)
Net Cash Provided (Used) by Operating Activities	<u>2,567,861</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(1,676,216)
Interest payments	(275,211)
Payment of debt principal	(644,561)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,595,988)</u>
Cash Flows from Investing Activities:	
Interest received	69,269
Net Cash Provided (Used) by Investing Activities	<u>69,269</u>
Net Increase (Decrease) in Cash	41,142
Cash and Cash Equivalents, July 1, 2019	<u>5,049,844</u>
Cash and Cash Equivalents, June 30, 2020	<u><u>\$5,090,986</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$1,319,093
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,244,413
Loss on sale of capital assets	(5,147)
Change in assets (increase) decrease:	
Accounts receivable	(21,710)
Prepaid expenses	(23,113)
Inventories	(36,020)
Change in liabilities increase (decrease):	
Accounts payable	88,227
Accrued expenses	9,268
Unavailable revenues	(5,250)
Customer deposits	(1,900)
Net Cash Provided (Used) by Operating Activities	<u><u>\$2,567,861</u></u>

Supplementary Information: During the year the District received infrastructure contributions of \$2,119,610.

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

BEDFORD COUNTY UTILITY DISTRICT

Notes to Financial Statements

June 30, 2020

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Bedford County Utility District of Bedford County, Tennessee (Utility District) was incorporated pursuant to the provisions of the Utility District Law of 1937, Sections 7-82-101 through 609 inclusive, *Tennessee Code Annotated*. The District, which was created by consolidating the Northwest Bedford Utility District of Bedford County, Tennessee, the Bedford Public Utility District of Bedford County, Tennessee, Southwest Bedford Public Utility District of Bedford County, Tennessee and the Normandy Road Cooperative, currently provides water and natural gas to the rural areas of Bedford County.

Basis of Accounting

The accompanying financial statements of the Utility District have been prepared on the accrual basis of accounting. The District uses the economic resources measurement focus. Revenues are recognized when they are earned, and expenses are recognized when incurred. No accrual is made for unbilled water revenue receivable or the liability for water usage from the dates of the most recent meter readings to the balance sheet date. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable.

Cash and Cash Equivalents

The Utility District considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

Supply Inventory

Supply inventory is valued at the weighted average cost.

Utility Plant

Utility plant of the Utility District is recorded at cost. Depreciation is computed over the estimated life of the assets utilizing the straight-line method. The estimated life for utility plant in service is from 5 to 50 years. Utility Plant is defined by the District as assets with an initial cost of \$1,200 and an estimated useful life in excess of three years.

Capital Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted 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.

BEDFORD COUNTY UTILITY DISTRICT

Notes to Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Restricted Assets

It is the policy of the District to apply restricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Operating revenues and operating expenses

The District recognizes operating revenues and operating expenses resulting from providing services and producing goods to its customers. All other revenues and expenses are deemed nonoperating. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

Inter-department balances

Inter-department receivables and payables which are included in the individual department statements have been eliminated in the financial statements. The purpose of the inter-department receivables and payables is to manage the cash flow requirements of the gas department.

Note 2 - CASH AND CERTIFICATE OF DEPOSITS

The Utility District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the Utility District invested funds that were not immediately needed in certificate of deposits and savings accounts. The Utility District has deposit policies to minimize custodial credit risks. 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 district. The District has a deposit policy that addresses custodial credit risk. The Utility District's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the District's name.

BEDFORD COUNTY UTILITY DISTRICT

Notes to Financial Statements

June 30, 2020

Note 3 - CAPITAL ASSETS - UTILITY PLANT IN SERVICE

A summary of changes in the water department utility plant in service is as follows:

	Balance			Balance
	<u>6-30-19</u>	<u>Additions</u>	<u>Disposals</u>	<u>6-30-20</u>
Land and land rights	\$ 94,096	-	-	94,096
Structures and improvements	5,155,444	21,896	-	5,177,340
Pumping equipment	1,216,638	150,091	-	1,366,729
Water treatment equipment	393,633	85,570	10,685	468,518
Reservoirs and standpipes	2,446,465	-	-	2,446,465
Transportation equipment	460,634	26,744	-	487,378
Transmission and distribution lines	27,436,733	3,225,396	8,569	30,653,560
Office furniture and equipment	76,480	-	1,395	75,085
Computer equipment	189,614	29,489	2,972	216,131
Miscellaneous equipment	<u>1,022,194</u>	<u>69,569</u>	<u>8,201</u>	<u>1,083,562</u>
Total	38,491,931	3,608,755	31,822	42,068,864

Additionally, the Water department has \$584,858 in construction in progress. The land and land rights of \$94,096 and the construction in progress of \$584,858 are not being depreciated.

A summary of changes in the water department accumulated depreciation is as follows:

	Balance			Balance
	<u>6-30-19</u>	<u>Additions</u>	<u>Disposals</u>	<u>6-30-20</u>
Structures and improvements	\$3,270,954	152,179	-	3,423,133
Pumping equipment	840,518	42,867	-	883,385
Water treatment equipment	323,136	13,550	5,765	330,921
Reservoirs and standpipes	1,411,739	70,707	-	1,482,446
Transportation equipment	417,107	28,564	-	445,671
Transmission and distribution lines	13,287,896	709,876	8,498	13,989,274
Office furniture and equipment	68,282	4,400	1,381	71,301
Computer equipment	136,941	16,141	2,502	150,580
Miscellaneous equipment	<u>810,212</u>	<u>50,909</u>	<u>826</u>	<u>860,295</u>
	20,566,785	1,089,193	18,972	21,637,006

During the year the District received infrastructure contributions in the amount of \$2,119,610. The depreciation expense for the year was \$1,051,717.

BEDFORD COUNTY UTILITY DISTRICT

Notes to Financial Statements

June 30, 2020

Note 3 - CAPITAL ASSETS - UTILITY PLANT IN SERVICE, Continued

A summary of changes in natural gas department utility plant in service is as follows:

	Balance <u>6-30-19</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6-30-20</u>
Organization	\$ 8,174	-	-	8,174
Land	6,548	-	-	6,548
Mains	5,371,262	-	-	5,371,262
Regulator station	140,940	179,818	-	320,758
Meter station equipment	215,659	-	-	215,659
Services	1,223,542	19,006	-	1,242,548
Miscellaneous equipment	<u>102,455</u>	<u>2,275</u>	-	<u>104,730</u>
Total	7,068,580	201,099	-	7,269,679

A summary of changes in natural gas department accumulated depreciation is as follows:

	Balance <u>6-30-19</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6-30-20</u>
Mains	\$1,268,871	107,780	-	1,376,651
Regulator station	54,184	6,427	-	60,611
Meter station equipment	76,390	7,469	-	83,859
Services	674,021	65,476	-	739,497
Miscellaneous equipment	<u>76,668</u>	<u>5,544</u>	-	<u>82,212</u>
Total	2,150,134	192,696	-	2,342,830

The depreciation expense for the year was \$192,696. All assets except for Organization costs of \$8,174, land valued at \$6,548 are being depreciated.

Note 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt in the water department:

Direct loans:

	Balance <u>6-30-19</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6-30-20</u>
Series 2015	4,190,000	-	420,000	3,770,000
Series 2013	320,000	-	10,000	310,000
Series 2010	<u>1,184,198</u>	-	<u>23,918</u>	<u>1,160,280</u>
Total	\$ <u>5,694,198</u>	<u>-</u>	<u>453,918</u>	<u>5,240,280</u>

BEDFORD COUNTY UTILITY DISTRICT

Notes to Financial Statements

June 30, 2020

Note 4 - LONG-TERM DEBT, Continued

The following is a summary of changes in long-term debt in the natural gas department:

Direct loans:

	<u>Balance</u> <u>6-30-19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6-30-20</u>
Series 2014	481,892	-	60,643	421,249
Series 2013	<u>3,325,000</u>	<u>-</u>	<u>130,000</u>	<u>3,195,000</u>
Total	3,806,892	-	190,643	3,616,249

The bonds are payable solely from revenues derived from operations after provision has been made for the reasonable and necessary cost of operating and maintaining the District and are secured by a pledge of such revenues and by a statutory lien on assets of the Utility District.

Future maturities of long-term debt principal and interest for the water department is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	471,603	147,362
2022	332,903	137,512
2023	299,229	130,435
2024	280,581	123,997
2025	291,961	117,891
2026-2030	1,576,541	469,554
2031-2035	1,215,754	250,338
2036-2040	289,599	107,204
2041-2045	248,879	61,381
2046-2049	<u>233,230</u>	<u>14,978</u>
Total	<u>\$ 5,240,280</u>	<u>1,560,652</u>

Interest of \$152,212 was expensed during the year ended June 30, 2020 from the water department.

BEDFORD COUNTY UTILITY DISTRICT

Notes to Financial Statements

Note 4 - LONG-TERM DEBT, Continued

Future maturities of long-term debt principal and interest for the natural gas department is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	182,284	124,780
2022	187,330	121,049
2023	192,360	117,224
2024	197,374	113,302
2025	197,873	108,935
2026-2030	899,528	421,388
2031-2035	904,500	260,168
2036-2039	<u>855,000</u>	<u>80,314</u>
Total	<u>\$3,616,249</u>	<u>1,347,160</u>

Interest of \$122,999 was expensed during the year ended June 30, 2020 from the natural gas department.

Note 5 - INSURANCE

The District is exposed to various risks of losses 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 risk entity pool, Tennessee School Boards Risk Management Trust (TSB-RMT), which reinsures through commercial insurance companies (\$150,000 per occurrence.) An annual loss fund is established based on TSB-RMT's known losses. If this amount is exhausted, TSB-RMT will pay the additional amount in self-insured retentions (\$100,000 property and \$200,000 liability) from surplus. If loss fund payments exceed available surplus, assessments to members could be possible. No estimate of any possible future assessments has been made.

BEDFORD COUNTY UTILITY DISTRICT

Notes to Financial Statements

June 30, 2020

Note 6 - EMPLOYEE RETIREMENT SAVINGS PLAN

The District provides an income tax deferred retirement savings plan (Bedford County Utility District Retirement Plan). The assets of the plan are held by the Mass Mutual Financial Group. The General Manager of the District serves as the administrator of the Plan.

An employee may contribute the portion of his or her salary that is allowed by law, with the District contributing an amount equal to the employee's contribution, up to five percent of salaries. The Board of Commissioners approved the following employer contribution rates effective December 1, 1996:

<u>Years of Service</u>	<u>Percent</u>
90 days – less than 1 year	1%
1 year – less than 2 years	2%
2 years – less than 3 years	3%
3 years- less than 4 years	4%
4 years or more	5%

The District contracts with an insurance carrier that uses a variable annuity contract as the investment vehicle. This contract has various investment options, with each participant making investment elections.

During the year the District contributed \$27,032 to the plan.

Note 7 - COMMITMENTS, CONTINGENCY AND LITIGATION

Litigation:

The Utility District is not involved in any litigation which would have a material effect on the financial statements of the District.

Duck River Agency

In June 2000, the Board of Commissioners of the District voted to pay 5 cents per 1,000 gallons sold into a trust fund (Trust B) for the benefits of the Duck River Agency, effective for all water sold on or after July 1, 2000, payable monthly. Such payments shall continue while the District is a member of the Duck River Technical Advisory Committee. For the year ended June 30, 2020, the amount paid under this agreement was \$24,130.

Natural Gas Contracts

To ensure a continued supply of natural gas, the District has entered into contracts for the purchase and transportation of its natural gas requirements.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the District.

BEDFORD COUNTY UTILITY DISTRICT

Notes to Financial Statements

Note 7 - COMMITMENTS, CONTINGENCY AND LITIGATION, Continued

Environmental Contingency

The District's facilities and operations are subject to a wide range of environmental protection laws related to the use and disposal of hazardous materials. As a result, there is the possibility that environmental conditions arise which would require the District to incur clean-up costs. As in prior years, management continues its efforts to comply, and to determine compliance, with all applicable environmental protection laws and does not believe such costs, if any, would materially affect the District's financial position or its future cash flows.

Note 8 - SEGMENT REPORTING

The District has the following segments to be reported:

	<u>Water</u>	<u>Natural Gas</u>
Current assets	6,054,775	556,351
Other assets	1,150,433	0
Capital assets, net	<u>21,016,716</u>	<u>4,926,849</u>
Total assets	28,221,924	5,483,200
Current liabilities	881,032	251,064
Other liabilities	0	1,150,433
Long-term debt	<u>4,858,773</u>	<u>3,433,965</u>
Total liabilities	5,739,805	4,835,462
Net position – capital assets	15,686,340	1,310,600
Net position – restricted	983,749	97,208
Net position – unrestricted	<u>5,812,030</u>	<u>(760,070)</u>
Total position	22,482,119	647,738
Operating revenues	4,233,538	1,243,507
Operating expenses	3,573,966	583,986
Nonoperating revenues/expenses	(89,811)	(121,278)
Contributed capital	2,119,610	0
Net change in position	2,689,371	538,243
Cash flows from Operations	1,741,269	826,592
Cash Flow from Capital	(1,731,413)	(864,575)
Cash Flow from Investing	67,548	1,721
Change in Cash	77,404	(36,262)

SUPPLEMENTAL INFORMATION

BEDFORD COUNTY UTILITY DISTRICT

Statement of Net Position- Natural Gas Department

June 30, 2020

Assets

Current Assets:

Cash and cash equivalents	\$369,091
Cash and cash equivalents - restricted	22,707
Certificate of deposits - restricted	74,501
Customer accounts receivable	48,989
Inventory	41,063
Total Current Assets	<u>556,351</u>

Capital Assets:

Utility plant in service	7,269,679
Less accumulated depreciation	<u>(2,342,830)</u>
Total Capital Assets, Net	<u>4,926,849</u>

Total Assets	<u><u>\$5,483,200</u></u>
--------------	---------------------------

Liabilities

Current Liabilities

Accounts payable	8,549
Accrued expenses	9,481
Current portion of long-term debt	182,284
Customer deposits	50,750
Total Current Liabilities	<u>251,064</u>

Due to water department	<u>1,150,433</u>
-------------------------	------------------

Long-term debt	<u>3,433,965</u>
----------------	------------------

Total Liabilities	<u><u>\$4,835,462</u></u>
-------------------	---------------------------

Net Position:

Net investment in capital assets	1,310,600
Restricted - debt service	97,208
Unrestricted	<u>(760,070)</u>
Total Net Position	<u>647,738</u>

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

BEDFORD COUNTY UTILITY DISTRICT

**Statement of Revenues, Expenses
and Changes in Net Position- Natural Gas Department**

For the Year Ended June 30, 2020

Operating Revenues:	
Metered sales	\$1,234,257
Installation and tap fees	9,250
Total Operating Revenues	<u>1,243,507</u>
Operating Expenses:	
Salaries	43,195
Employee benefits	14,365
Repair and maintenance	9,072
Office expenses	3,329
Natural gas purchases and transportation expense	301,107
Materials and supplies	14,264
Contract services	2,826
Depreciation	192,696
Insurance	792
Miscellaneous	2,340
Total Operating Expenses	<u>583,986</u>
Operating income (loss)	<u>659,521</u>
Nonoperating Revenues (Expenses):	
Interest expense	(122,999)
Interest income	1,722
Total Nonoperating Revenues (Expenses)	<u>(121,277)</u>
Net change in position	538,244
Net Position, July 1, 2019	<u>109,494</u>
Net Position, June 30, 2020	<u><u>\$647,738</u></u>

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

BEDFORD COUNTY UTILITY DISTRICT
Statement of Net Position - Water Department

June 30, 2020

Assets

Current Assets:

Cash and cash equivalents	\$4,474,918
Cash and cash equivalents - restricted	224,270
Certificate of deposit - restricted	759,479
Customer accounts receivable, net of allowance	399,848
Prepaid expenses	29,515
Inventory	166,745
Total Current Assets	6,054,775

Capital Assets:

Construction in progress	584,858
Utility plant in service	42,068,864
Less accumulated depreciation	(21,637,006)
Total Capital Assets, Net	21,016,716

Due from natural gas department	1,150,433
---------------------------------	-----------

Total Assets	\$28,221,924
--------------	--------------

Liabilities

Current Liabilities

Accounts payable	135,950
Accrued expenses	181,779
Unavailable revenues	32,250
Customer deposits	59,450
Current portion of long-term debt	471,603
Total Current Liabilities	881,032

Long-term debt	4,768,677
----------------	-----------

Premiums on Long-term debt	90,096
----------------------------	--------

Total Liabilities	\$5,739,805
-------------------	-------------

Net Position:

Net investment in capital assets	15,686,340
Restricted	983,749
Unrestricted	5,812,030
Total Net Position	22,482,119

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

BEDFORD COUNTY UTILITY DISTRICT

**Statement of Revenues, Expenses
and Changes in Net Position - Water Department**

For the Year Ended June 30, 2020

Operating Revenues:	
Metered sales	\$3,951,242
Installation and tap fees	279,492
Other revenues	<u>2,804</u>
Total Operating Revenues	<u>4,233,538</u>
Operating Expenses:	
Salaries	793,083
Employee benefits	499,595
Meter reading	45,936
Customer records	68,477
Repair and maintenance	448,659
Laboratory expenses	24,857
Office expenses	47,272
Materials and supplies	247,539
Contract services	13,942
Utilities	243,619
Depreciation	1,051,717
Insurance	41,607
Contractual payments	24,130
Miscellaneous	<u>23,533</u>
Total Operating Expenses	<u>3,573,966</u>
Operating income (loss)	<u>659,572</u>
Nonoperating Revenues (Expenses):	
Interest expense	(152,212)
Gain on sale of capital assets	(5,147)
Interest income	<u>67,548</u>
Total Nonoperating Revenues (Expenses)	<u>(89,811)</u>
Capital contributions	<u>2,119,610</u>
Net change in position	2,689,371
Net Position, July 1, 2019	<u>19,792,748</u>
Net Position, June 30, 2020	<u><u>\$22,482,119</u></u>

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

BEDFORD COUNTY UTILITY DISTRICT

Statement of Cash Flows - By Department

For the Year Ended June 30, 2020

	<u>Natural Gas</u> <u>Department</u>	<u>Water</u> <u>Department</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$1,216,944	\$4,238,391	\$5,455,335
Cash paid to employees	(57,560)	(1,407,091)	(1,464,651)
Cash paid to suppliers	(332,792)	(1,090,031)	(1,422,823)
Net Cash Provided (Used) by Operating Activities	<u>826,592</u>	<u>1,741,269</u>	<u>2,567,861</u>
Cash Flows from Capital and Related Financing Activities:			
Repayments from interdepartmental loan	(349,834)	349,834	0
Acquisition of capital assets	(201,099)	(1,475,117)	(1,676,216)
Interest payments	(122,999)	(152,212)	(275,211)
Payment of debt principal	(190,643)	(453,918)	(644,561)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(864,575)</u>	<u>(1,731,413)</u>	<u>(2,595,988)</u>
Cash Flows from Investing Activities:			
Interest received	1,721	67,548	69,269
Net Cash Provided (Used) by Investing Activities	<u>1,721</u>	<u>67,548</u>	<u>69,269</u>
Net Increase (Decrease) in Cash	(36,262)	77,404	41,142
Cash and Cash Equivalents, July 1, 2019	<u>428,060</u>	<u>4,621,784</u>	<u>5,049,844</u>
Cash and Cash Equivalents, June 30, 2020	<u>\$391,798</u>	<u>\$4,699,188</u>	<u>\$5,090,986</u>
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating income (loss)	\$659,521	\$659,572	1,319,093
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	192,696	1,051,717	1,244,413
Loss on sale of capital assets	0	(5,147)	(5,147)
Change in assets (increase) decrease:			
Accounts receivable	(26,563)	4,853	(21,710)
Prepaid expenses	0	(23,113)	(23,113)
Inventories	776	(36,796)	(36,020)
Change in liabilities increase (decrease):			
Accounts payable	1,168	87,059	88,227
Accrued expenses	(1,356)	10,624	9,268
Unavailable revenues	0	(5,250)	(5,250)
Customer deposits	350	(2,250)	(1,900)
Net Cash Provided (Used) by Operating Activities	<u>\$826,592</u>	<u>\$1,741,269</u>	<u>\$2,567,861</u>

Supplementary Information: During the year the District received infrastructure contributions of \$2,119,610.

See accompanying notes to financial statements.

BEDFORD COUNTY UTILITY DISTRICT

Schedule of Debt Service Requirements - Natural Gas Department

June 30, 2020

Year	Revenue Refunding 2013		Series 2014		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	126,000	105,424	56,284	19,356	182,284	124,780
2022	130,500	102,274	56,830	18,775	187,330	121,049
2023	135,000	99,012	57,360	18,212	192,360	117,224
2024	139,500	95,637	57,874	17,665	197,374	113,302
2025	139,500	91,800	58,373	17,135	197,873	108,935
2026	144,000	87,964	58,857	16,621	202,857	104,585
2027	148,500	83,644	59,326	8,453	207,826	92,097
2028	153,000	79,189	16,345	1,623	169,345	80,812
2029	157,500	74,408			157,500	74,408
2030	162,000	69,485			162,000	69,485
2031	171,000	64,018			171,000	64,018
2032	175,500	58,247			175,500	58,247
2033	180,000	52,324			180,000	52,324
2034	184,500	46,249			184,500	46,249
2035	193,500	39,330			193,500	39,330
2036	202,500	32,074			202,500	32,074
2037	207,000	24,480			207,000	24,480
2038	216,000	16,200			216,000	16,200
2039	229,500	7,560			229,500	7,560
	<u>3,195,000</u>	<u>1,229,320</u>	<u>421,249</u>	<u>117,840</u>	<u>3,616,249</u>	<u>1,347,160</u>

BEDFORD COUNTY UTILITY DISTRICT

Schedule of Debt Service Requirements - Water Department

June 30, 2020

Year	Revenue Refunding 2013		Water Revenue Refunding Bonds 2015		Rural Development 91-24		TOTALS		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	12,000	11,713	435,000	98,200	24,603	37,449	471,603	147,362		
2022	12,500	11,363	295,000	89,500	25,403	36,649	332,903	137,512		
2023	13,000	11,012	260,000	83,600	26,229	35,823	299,229	130,435		
2024	13,500	10,626	240,000	78,400	27,081	34,971	280,581	123,997		
2025	14,000	10,200	250,000	73,600	27,961	34,091	291,961	117,891		
2026	14,500	9,293	255,000	67,975	28,870	33,182	298,370	110,450		
2027	15,000	9,293	265,000	61,600	29,808	32,244	309,808	103,137		
2028	15,500	8,798	270,000	54,313	30,777	31,275	316,277	94,386		
2029	16,000	8,268	280,000	46,887	31,777	30,275	327,777	85,430		
2030	16,500	7,720	275,000	39,188	32,810	29,242	324,310	76,150		
2031	17,000	7,113	235,000	31,900	33,876	28,176	285,876	67,189		
2032	17,500	6,472	210,000	24,850	34,977	27,075	262,477	58,397		
2033	18,000	5,814	165,000	17,500	36,114	25,938	219,114	49,252		
2034	18,500	5,138	165,000	11,725	37,287	24,765	220,787	41,628		
2035	19,000	4,370	170,000	5,950	38,499	23,553	227,499	33,873		
2036	19,500	3,564			39,751	22,301	59,251	25,865		
2037	20,000	2,715			41,042	21,010	61,042	23,725		
2038	20,500	1,819			42,376	19,676	62,876	21,495		
2039	17,500	945			43,754	18,298	61,254	19,243		
2040					45,176	16,876	45,176	16,876		
2041					46,644	15,408	46,644	15,408		
2042					48,160	13,892	48,160	13,892		
2043					49,725	12,327	49,725	12,327		
2044					51,341	10,711	51,341	10,711		
2045					53,010	9,042	53,010	9,042		
2046					54,732	7,320	54,732	7,320		
2047					57,511	4,541	57,511	4,541		
2048					59,880	2,172	59,880	2,172		
2049					61,107	945	61,107	945		
	<u>\$ 310,000</u>	<u>136,236</u>	<u>3,770,000</u>	<u>785,188</u>	<u>1,160,280</u>	<u>639,228</u>	<u>5,240,280</u>	<u>1,560,652</u>		

BEDFORD COUNTY UTILITY DISTRICT

Schedule of Cash and Cash Equivalents

June 30, 2020

	<u>Amount</u>
Certificate of deposit	833,980
Deposit accounts	<u>5,090,986</u>
Total	<u>\$ 5,924,966</u>

BEDFORD COUNTY UTILITY DISTRICT

Schedule of Utility Rates

June 30, 2020

Water:

Residential:

First 1,500 gallons - minimum \$ 17.00
All over 1,500 gallons 6.63 per 1,000 gallons

1 inch meter:

First 5,000 gallons - minimum \$ 39.75
All over 5,000 gallons 6.63 per 1,000 gallons

2 to 3 inch meter

First 25,000 gallons - minimum \$ 169.75
All over 25,000 gallons 6.63 per 1,000 gallons

4 inch meter

First 50,000 gallons - minimum \$ 332.25
All over 50,000 gallons 6.63 per 1,000 gallons

6 inch meter

First 62,500 gallons - minimum \$ 413.50
All over 62,500 gallons 6.63 per 1,000 gallons

8 inch meter

First 75,000 gallons - minimum \$ 494.75
All over 75,000 gallons 6.63 per 1,000 gallons

12 inch meter

First 100,000 gallons - minimum \$ 657.25
All over 100,000 gallons 6.63 per 1,000 gallons

Natural gas department:

Residential/Commercial: Customer Monthly Charge \$ 10.00
Per MCF 12.00

Purchase Gas Adjustment (PGA) Base 3.00

Agriculture-Commercial Rate:

Customer Monthly Charge 10.00
Per MCF (Thousand Cubic Feet) (With PGA) 12.00
Purchase Gas Adjustment (PGA) Base 3.00

There were approximately 6,625 water customers at June 30, 2020, and there were approximately 350 natural gas customers at June 30, 2020.

AWWA Free Water Audit Software: Reporting Worksheet

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

[Click to access definition](#)
[Click to add a comment](#)

Water Audit Report for: Bedford County Utility District
Reporting Year: 2020 7/2019 - 6/2020

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

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

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

← Enter grading in column 'E' and 'J' →

Master Meter and Supply Error Adjustments

WATER SUPPLIED

Volume from own sources:	8	661.300	MG/Yr	6	1.00%	0		
Water Imported:	8	1,901	MG/Yr	7	0	0	1,901	MG/Yr
Water exported:	8	0.000	MG/Yr	7	0	0		MG/Yr

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

WATER SUPPLIED: 654.752 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	10	439.700	MG/Yr
Billed unmetered:	10	0.187	MG/Yr
Unbilled metered:	9		MG/Yr
Unbilled unmetered:	8	71.280	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 511.147 MG/Yr

Click here: [?](#)
for help using option buttons below

Pcnt:	0	0						
	0	0	71.280					MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

143.605 MG/Yr

Apparent Losses

Unauthorized consumption: 1.637 MG/Yr

Default option selected for unauthorized consumption - a grading of 6 is applied but not displayed

Customer metering inaccuracies:	8	8.973	MG/Yr
Systematic data handling errors:	8	1.099	MG/Yr

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

Apparent Losses: 11.710 MG/Yr

Pcnt:	0.25%	0						
	0.25%	0						MG/Yr

Pcnt:	2.00%	0						
	2.00%	0						MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 131.896 MG/Yr

WATER LOSSES: 143.605 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 214.885 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	8	494.0	miles
Number of active AND inactive service connections:	9	7,530	
Service connection density:	8	15	conn / mile main

Are customer meters typically located at the curbside or property line? Yes

(length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: 75.0 psi

COST DATA

Total annual cost of operating water system:	10	\$3,584,508	\$/Year
Customer retail unit cost (applied to Apparent Losses):	8	\$6.83	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	8	\$766.97	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 82 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association
Copyright © 2014. All Rights Reserved.

Water Audit Report for: Bedford County Utility District
 Reporting Year: 2020 | 7/2019 - 6/2020

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 ***

System Attributes:

	Apparent Losses:	11.710	MG/Yr
+	Real Losses:	131.896	MG/Yr
=	Water Losses:	143.605	MG/Yr

? Unavoidable Annual Real Losses (UARL): 104.08 MG/Yr

Annual cost of Apparent Losses: \$79,977

Annual cost of Real Losses: \$101,160 Valued at **Variable Production Cost**
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied: 32.8%
 Non-revenue water as percent by cost of operating system: 6.6% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 4.26 gallons/connection/day
 Real Losses per service connection per day: N/A gallons/connection/day
 Real Losses per length of main per day*: 731.50 gallons/mile/day
 Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 131.90 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 1.27

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

BEDFORD COUNTY UTILITY DISTRICT

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2020

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2020
Water department									
BONDS PAYABLE									
Series 2015	\$ 5,400,000	3.25%	2015	3/31/2035	\$ 4,190,000	-	\$ 420,000	-	\$3,770,000
Series 2013	385,000	3.38%	2013	9/30/2039	\$ 320,000	-	\$ 10,000	-	\$310,000
Series 2010	1,350,000	3.25%	2010	6/30/2049	\$ 1,184,198	-	\$ 23,918	-	\$1,160,280
Total Bonds Payable- Water department					\$ 5,694,198	\$ -	\$ 453,918	\$ -	\$ 5,240,280
Natural Gas department									
BONDS PAYABLE									
Series 2014	\$ 750,000	3.00%	2014	4/1/2028	\$ 481,892	-	\$ 60,643	-	\$421,249
Series 2013	4,045,000	3.38%	2013	9/30/2039	\$ 3,325,000	-	\$ 130,000	-	\$3,195,000
Total Bonds Payable- Natural Gas department					\$ 3,806,892	\$ -	\$ 190,643	\$ -	\$ 3,616,249

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Board of Commissioners
Bedford County Utility District
Shelbyville, Tennessee

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Bedford County Utility District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bedford County Utility District's basic financial statements, and have issued a report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Bedford County Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bedford County Utility District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Bedford County Utility District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bedford County Utility District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Joli R Poole, CPA

September 30, 2020

BEDFORD COUNTY UTILITY DISTRICT

Schedule of Disposition of Prior Year Comments

June 30, 2020

There were no prior year comments.

APPENDIX E

**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, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 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 www.buildamerica.com/videos. (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 www.buildamerica.com/credit-profiles. 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.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 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 www.buildamerica.com/videos. (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 www.buildamerica.com/credit-profiles. 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.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN