

OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

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

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

\$6,750,000
CITY OF LAFOLLETTE, TENNESSEE
General Obligation Bonds, Series 2021B

Dated: December 17, 2021

Due: June 1, as shown below.

The \$6,750,000 General Obligation Bonds, Series 2021B (the “Bonds”) issued by the City of LaFollette, Tennessee (the “City”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal, and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2022 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. Principal and interest on the Bonds are additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City’s electric power distribution system. See section entitled “SECURITIES OFFERED – Security”. See section entitled “SECURITIES OFFERED – Security”.

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 June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028.

<u>Due (June 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due (June 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2023	\$ 360,000	3.00 %	0.50 %	503030QL5	2030	\$ 355,000	2.00 %	1.30 % c	503030QT8
2024	360,000	3.00	0.60	503030QM3	2031	355,000	2.00	1.35 c	503030QU5
2025	360,000	3.00	0.75	503030QN1	2032	355,000	2.00	1.40 c	503030QV3
2026	360,000	3.00	0.85	503030QP6	2033	355,000	2.00	1.45 c	503030QW1
2027	355,000	3.00	1.00	503030QQ4	2036	355,000	2.00	1.65 c	503030QZ4
2028	355,000	3.00	1.08	503030QR2	2037	355,000	2.00	1.75 c	503030RA8
2029	355,000	2.00	1.25 c	503030QS0	2038	355,000	2.00	1.85 c	503030RB6
		\$710,000	2.00 %	Term Bond Due June 1, 2035		@ 1.55 % c		503030QY7	
		\$1,050,000	2.00	Term Bond Due June 1, 2041		@ 2.00		503030RE0	

c = Yield to call on June 1, 2028

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the City by Reid Troutman, counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about December 17, 2021.

Cumberland Securities Company, Inc.
Municipal Advisor

December 2, 2021

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Appendix D - Bond Insurance and Specimen Municipal Bond Insurance Policy".

**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.

CITY OF LAFOLLETTE, TENNESSEE

OFFICIALS

Honorable Phillip Farmer	<i>Mayor</i>
Terry Sweat	<i>Finance Director</i>
Stan Foust	<i>City Clerk</i>
Reid Troutman	<i>City Attorney</i>
Walter M. (Kenny) Baird, Jr.	<i>Utilities General Manager</i>

COUNCIL MEMBERS

Stephanie Grimm Solomon, Vice-Mayor

Mark Hoskins

Wayne Kitts

Bryan St. John

UNDERWRITER

FHN Financial Capital Markets
Memphis, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

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**APPENDIX C-1: GENERAL PURPOSE FINANCIAL STATEMENTS –
THE CITY OF LAFOLLETTE, TENNESSEE**

**APPENDIX C-2: GENERAL PURPOSE FINANCIAL STATEMENTS –
THE CITY OF LAFOLLETTE, TENNESSEE –
BOARD OF PUBLIC UTILITIES – ELECTRIC DEPARTMENT**

**APPENDIX D: 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	City of LaFollette, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered.....	\$6,750,000 General Obligation Bonds, Series 2021B (the “Bonds”) of the City, dated December 17, 2021. The Bonds mature each June 1 beginning June 1, 2023 through June 1, 2033, inclusive, June 1, 2035, June 1, 2036 through June 1, 2038, inclusive, and June 1, 2041. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security	The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. Principal and interest on the Bonds are additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City’s electric power distribution system.
Purpose	The Bonds are being issued for the purpose of providing funds for (i) the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for the Electric System; (ii) the acquisition of all property, real and personal, appurtenant to the foregoing (collectively, the “Projects”); (iii) reimbursement to the City for funds previously expended for any of the foregoing; and (iv) payment of costs related to the issuance and sale of the Bonds.
Optional Redemption	The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028. See the section entitled “SECURITIES OFFERED – Optional Redemption”.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. 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.)
Bank Qualification	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Municipal Bond Insurance	The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Build America Mutual Assurance Company. (“BAM”). See “APPENDIX D - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”
Rating.....	S&P’s BAM Insured: “AA”. S&P’s underlying rating “A+”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Municipal Advisor.....	Cumberland Securities Company, Inc., See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.
Underwriter.....	FHN Financial Capital Markets, Memphis, Tennessee.

Bond CounselBass, Berry & Sims PLC, Knoxville, Tennessee.

Book-Entry-Only.....The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”

Registration Agent.....Regions Bank, Nashville, Tennessee.

General.....The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information.....The information in this *Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City or this *Preliminary Official Statement*, contact Kenny Baird, General Manager, 302 North Tennessee Avenue, LaFollette, Tennessee 37766, Telephone: (423) 562-3316; or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning Fund Balance	\$3,928,663	\$3,925,127	\$5,709,842	\$3,934,387	\$3,408,567
Revenues	6,321,408	6,186,368	6,291,617	6,405,343	6,658,674
Expenditures	7,484,111	7,097,033	9,270,953	8,189,899	7,516,211
Other Financing Sources:					
Transfers In	-	-	-	-	-
Transfers Out	(38,256)	(42,295)	(46,969)	(34,739)	(41,311)
Bond/Note Proceeds	-	1,500,000	-	-	-
Transfers In Lieu of	1,182,650	1,237,675	1,250,850	1,293,475	1,249,300
Adjustments	14,773	-	-	-	-
Ending Fund Balance	<u>\$3,925,127</u>	<u>\$5,709,842</u>	<u>\$3,934,387</u>	<u>\$3,408,567</u>	<u>\$3,799,019</u>

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

\$6,750,000
CITY OF LAFOLLETTE, TENNESSEE
General Obligation Bonds, Series 2021B

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement* which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by City of LaFollette, Tennessee (the "City") of \$6,750,000 General Obligation Bonds, Series 2021B (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the City Council on November 2, 2021 (the "Resolution").

The Bonds are being issued for the purpose of providing funds for (i) the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for the City's electric system (the "Electric System"); (ii) the acquisition of all property, real and personal, appurtenant to the foregoing (collectively, the "Projects"); (iii) reimbursement to the City for funds previously expended for any of the foregoing; and (iv) payment of costs related to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from December 17, 2021. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2022. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. Principal and interest on the Bonds are additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City's electric power distribution system.

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL BOND INSURANCE

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

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028 at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council, 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 any credit described below, the City shall redeem Bonds maturing June 1, 2035 and June 1, 2041 on the redemption dates set forth below, 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. Specific Bonds to be so redeemed shall be selected in the manner described above relating to optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
June 1, 2035	June 1, 2034	\$355,000
	June 1, 2035*	\$355,000
June 1, 2041	June 1, 2039	\$350,000
	June 1, 2040	\$350,000
	June 1, 2041*	\$350,000

*Final Maturity

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

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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 for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co.

is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the 2021 Construction Fund (the "Project Fund"), or such other designation as shall be determined by the Mayor to be kept separate and apart from all other funds of the City. The City shall disburse funds in the Project Fund 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. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Project Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the City for any funds previously expended for costs of the Projects. Money in the Project Fund shall be invested, to the extent possible, in such investments as shall be permitted by applicable law, which investment earnings shall be applied by the City as required by law.

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

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

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

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

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

REMEDIES OF BONDHOLDERS

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

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

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

LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

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

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

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

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

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also 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 City as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

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

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 City 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 Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City 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 Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

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

There is no assurance that such ratings will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by 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 debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on December 2, 2021. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that is dated November 22, 2021.

The successful bidder for the Bonds was an account led by FHN Capital Markets, Memphis, Tennessee (the “Underwriters”) who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$6,965,481.40 (consisting of the par amount of the Bonds, plus an original issue premium of \$282,240.15 and less an underwriter’s discount of \$48,958.75 and less the bond insurance premium paid by the underwriter of \$17,800.00) or 103.192% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., has served as Municipal Advisor (the “Municipal Advisor”) to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the

Preliminary Official Statement and *Official Statement* relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

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

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

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

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

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

ADDITIONAL DEBT

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

DEBT LIMITATIONS

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

DEBT RECORD

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

CONTINUING DISCLOSURE

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

Five-Year History of Filing. For the past five years there is no general obligation debt (CUSIP 503030) not payable from utility revenue, to be paid by the City, so there were no disclosure filing requirements for City-backed general obligation debt.

For the past five years, the only general obligation debt (CUSIP 503030) with disclosure filing requirements to be paid by the W&S System consists of the General Obligation Bonds, Series 2014A, dated December 5, 2014. These requirements have been met on time every year since Fiscal Year 2015.

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

1. Summary of Bonded Indebtedness as of the end of such fiscal year;
2. The Indebtedness and Debt Ratios as of the end of such fiscal year, together with information about the property tax base;
3. Information about the Bonded Debt Service Requirements – General Obligation as of the end of such fiscal year;
4. Information about the Bonded Debt Service Requirements –Water and Sewer of the end of such fiscal year;
5. Information about the Bonded Debt Service Requirements – Electric System as of the end of such fiscal year;
6. The Fund Balances, Net Assets and Retained Earnings for the fiscal year;
7. Five Year Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year;
8. Five Year Summary of Revenues, Expenditures and Changes in Fund Balances - Electric System for the fiscal year;
9. Information about the Historical Coverage of Proforma Maximum Annual Debt Service Requirements – Electric System for the fiscal year;
10. The estimated Assessed Valuations of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year;
11. Property Tax Rates and Collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year and
12. The Ten Largest Taxpayers.

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - 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 City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, 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 City, any of which reflect financial difficulties.

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

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

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

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

- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

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

under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

BONDHOLDER RISK

COVID-19. The worldwide spread of COVID-19, a respiratory illness caused by a novel strain of coronavirus, is a pandemic that has affected the entire world and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The Governor of the State issued a state of emergency for the State in mid-March 2020 in response to the COVID-19 pandemic. The spread of COVID-19 has led to quarantine and other "social distancing" measures throughout the United States, including the State of Tennessee. These measures have included, from to time, (i) the closure of nonessential businesses, (ii) recommendations and warnings to limit nonessential travel and promote telecommuting, (iii) the postponement or cancellation of or reduction of capacity at large-scale gatherings such as conventions, concerts and sporting events, (iv) limits on operations and customer capacity at commercial and retail establishments, and (v) the closure of school buildings. The Governor of the State lifted the state of emergency on April 27, 2021. However, the State and/or other local jurisdictions may issue future restrictions in response to the pandemic.

Multiple vaccines for the virus that causes COVID-19 were developed in late 2020. To date, three vaccines have been approved for distribution in the United States with each of these vaccines having an efficacy rate exceeding 65%. Multiple variants of the virus that causes COVID-19 have been documented in the United States and globally, but studies so far suggest that antibodies generated through vaccination with approved vaccines recognize these variants to varying extents. COVID-19 vaccines are currently available to all residents within the State, including the Issuer, who are over the age of 12.

The Issuer is unable to predict: (i) the extent or duration of the COVID-19 outbreak or any other epidemic or pandemic; (ii) the extent or duration of existing and additional quarantines, travel restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; or (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the local or global economy, manufacturing or the supply chain or whether any such disruption may adversely affect the operations of the Issuer. Given the evolving nature of the spread of the virus and the behavior of governments, businesses and individuals in response thereto, the Issuer cannot accurately predict the magnitude of the impact of COVID-19 on the Issuer and its financial condition. The Issuer is proactively taking steps to mitigate the spread of COVID-19 and to preserve effective staffing for all essential Issuer operations.

Although the Issuer cannot accurately predict the magnitude of the ultimate impact of COVID-19 outbreak on the Issuer's finances, the Issuer is carefully monitoring the immediate effect of the COVID-19 outbreak on the Issuer's finances and is attempting to make projections as to the effect of the COVID-19 outbreak for the upcoming fiscal year.

For the current fiscal year, the Issuer's largest source of revenues is property tax revenues. Property tax revenues are due each year on September 1st and are delinquent October 1st. The Issuer has already collected almost 65% of its billed property taxes for tax year 2021, which is comparable to prior years, and the COVID-19 outbreak did not have a detrimental adverse affect

on the collection of property taxes for the tax year 2020. Economic uncertainties resulting from the COVID-19 outbreak may result in delays in collecting the remaining amount of tax year 2021 property taxes outstanding and may also affect collections in future years if the COVID-19 outbreak and resulting economic restrictions continue.

The budget for the 2022 fiscal year which started on July 1, 2021 anticipated an overall 2% increase in local revenues. Given the uncertainties as to when businesses, including tourism-related businesses, will be fully operational, these projections are uncertain and the ultimate amount of revenues from sales and use taxes, hotel-motel taxes and other similar business taxes may be less or more than what has been projected in the Issuer’s adopted budget.

The Issuer’s second largest source of revenues is sales and use tax revenues. Such tax revenues are expected to comprise approximately 20% of the Issuer’s revenues in the current 2022 fiscal year that ends June 30, 2022. All sales and use tax revenues are collected by the State, and the Issuer does not typically receive notice from the State of the Issuer’s share of sales and use taxes collected for approximately 50 days after the close of each month.

With respect to sales and use tax revenues for the most recent months for which information is available and since the COVID-19 outbreak began, the Issuer’s local sales and use tax revenues were:

	2019 Revenues	2020 Revenues	% Increase or Decrease
Jan	\$ 154,655	\$ 152,459	(1.42%)
Feb	169,237	184,131	8.80%
Mar	139,781	141,736	1.40%
Apr	144,870	144,755	(0.08%)
May	173,330	185,907	7.26%
Jun	167,373	201,503	20.39%
Jul	179,493	223,755	24.66%
Aug	185,152	223,281	20.59%
Sep	184,604	204,972	11.03%
Oct	179,542	190,528	6.12%
Nov	168,050	192,103	14.31%
Dec	159,050	179,243	12.70%
	2020 Revenues	2021 Revenues	% Increase or Decrease
Jan	\$ 152,459	\$ 174,054	14.16%
Feb	184,131	218,660	18.75%
Mar	141,736	197,158	39.10%
Apr	144,755	167,289	15.57%
May	185,907	264,383	42.21%
June	201,503	249,851	23.99%
July	223,755	236,534	5.71%
August	223,281	240,248	7.60%

TOTAL	\$3,462,664	\$3,972,550	14.73%
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The Issuer expects to receive some federal and/or State assistance to offset costs to the Issuer of addressing the COVID-19 outbreak. As this point, the Issuer has not been informed as to the timing or amount of federal or State assistance that may be provided, nor does the Issuer know the scope of expenses that will be payable from such assistance. Therefore, the Issuer cannot provide any assurances to whether the projected decline in tax revenues will be mitigated, in whole or part, by such assistance. The Issuer’s budget for the 2022 fiscal year does not include any such assistance as a source of revenue to provide for a balanced budget.

The Issuer’s liquidity position remains strong. As of June 30, 2021 (unaudited), the Issuer had in excess of \$5.5 million in General Fund balance, which is approximately 39% of the Issuer’s general fund budget. The Electric System’s cash balance on June 30, 2021 was approximately \$2.5 million. The Issuer’s current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

Various types of information regarding employment and income trends within the City and Campbell County are detailed in APPENDIX B. Most of this information was assembled prior to the COVID-19 outbreak and may not be reflective of current financial conditions. For example, unemployment rates throughout the United States, had increased significantly in the initial months of the COVID-19 outbreak but a currently declining. Furthermore, APPENDIX B lists the largest employers in the County. The COVID-19 outbreak has affected businesses throughout the United States, including businesses in the County, and many of the employers listed in APPENDIX B have been forced to change their employment levels from the levels described in APPENDIX B. Given the fluidity of the current economic environment, the Issuer is not able to provide sufficiently accurate updates to this information.

CLIMATE CHANGE. Planning for climate change in the State and its impact on the City’s operation is an unknown challenge. The State of Tennessee’s climate is exceedingly variable and projections of future conditions range significantly. While projections in the State of Tennessee indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length, intensity, and frequency of droughts and floods. The financial impact of the climate change is not yet known and therefore its future impact on the City cannot be quantified reliably at this time.

CYBER-SECURITY. Computer networks and data transmission and collection are vital to the efficient operations of the City. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the City, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the City’s operations, which could materially affect the City and its operations. The City maintains insurance to mitigate any potential financial losses from cyber-security threats.

CHANGE IN MAYOR'S OFFICE

Former Mayor Mike Stanfield was removed from office on Friday, November 19, 2021. Former Mayor Stanfield was arrested in 2020 after being accused of using city equipment and employees to complete work on private property, some that he personally owned, according to information from the Tennessee Bureau of Investigation.

Vice Mayor Phillip Farmer will fill the unexpired term of the Mayor and the change in office will not affect the sale or the validity of the Bonds.

ADDITIONAL INFORMATION

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

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

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

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

The City has deemed this *Official Statement* as "final" as of its date within the meaning of Rule 15c2-12.

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CERTIFICATION OF THE CITY

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

/s/ Phillip Farmer _____
Mayor

ATTEST:

/s/ Stan Foust _____
City Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of LaFollette, Tennessee (the "Issuer") of the \$6,750,000 General Obligation Bonds, Series 2021B (the "Bonds") dated December 17, 2021. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. The Bonds shall be additionally payable from but not secured by the Issuer's revenues to be derived from the operation of the Issuer's electric power distribution system.

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. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding the federal tax consequences arising with respect to the Bonds.

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

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

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

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

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

Yours truly,

Bass, Berry & Sims PLC

SUPPLEMENTAL INFORMATION STATEMENT

All of the following information, estimates and expressions of opinion are subject to change without notice. Though collected from sources the City believes to be reliable, the City has made no independent verification of the information provided by non-City sources, and the City takes no responsibility for the completeness or accuracy thereof. Except as otherwise provided, the information herein is often in relation to dates and periods prior to the COVID-19 pandemic and the resulting measures instituted to mitigate it. As provided in the section of the Official Statement entitled "BONDHOLDER RISK – COVID 19," the economic and social impact of COVID-19 to the City is far-reaching, unprecedented and constantly evolving. Historical numbers, including but not limited to those regarding employment, presented herein cannot be relied upon as reflective of current conditions or predictive of future results, which may be materially different from the information presented herein. The delivery by the City of the information contained herein shall not, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of the Official Statement.

GENERAL INFORMATION

LOCATION

The City of LaFollette (the "City") is located in Campbell County (the "County") in the northeastern portion of the State of Tennessee between the Cumberland Mountains and foothills of the Great Smoky Mountains. Claiborne County and Union County make up the eastern border of Campbell County. To the south, the County is bordered by Anderson County and to the west by Scott County. The State of Kentucky makes up the northern border of Campbell County. The Town of Jacksboro serves as the county seat and is located 35 miles northeast of Knoxville.

GENERAL

The County has a land area of approximately 447 square miles or 286,080 acres.

The County is part of the Knoxville Metropolitan Statistical Area (the "MSA") that had a population of 837,571 according to the 2010 US Census. The MSA includes Knox (Knoxville and Farragut), Anderson (Oak Ridge and Clinton), Blount (Maryville and Alcoa), Campbell (LaFollette), Grainger (Rutledge), Loudon (Loudon), Morgan (Wartburg), Roane (Harriman) and Union (Maynardville) Counties.

The County is also part of the Knoxville-Morristown-Sevierville Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Anderson, Blount, Campbell, Cocke, Grainger, Hamblen, Jefferson, Knox, Loudon, Morgan, Roane, Sevier and Union Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The Town of Jacksboro has a population of 12,020 according to the 2010 Census. The County has a population of 40,716, according to the 2010 Census.

TRANSPORTATION

Transportation facilities are provided by the CSX Railway, U.S. Highway 25-W, State and County Highways 63 and 90, and by Interstate Highway 75, which traverses the County. Campbell County also is served by its own airport with an asphalt runway of over 3,500 feet in

length. The nearest commercial airport is the McGhee Tyson Airport 41 miles away in Knoxville.

EDUCATION

The *Campbell County Board of Education* operates fifteen schools, including an adult high school in the County. The school system had a fall 2021 enrollment of 4,938 with about 332 teachers.

Source: Tennessee Department of Education.

Campbell County has many opportunities for higher education. Lincoln Memorial University is only 30 miles away in Harrogate, and the University of Tennessee-Knoxville campus is only a brief drive down Interstate I-75 South (35 miles).

The Tennessee College of Applied Technology at Jacksboro. The Tennessee College of Applied Technology at Jacksboro (the “TCAT-J”) is part of a statewide system of 26 vocational-technical schools. The TCAT-J 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-J serves the northeast region of the state including Campbell and Union Counties. The TCAT-J began operations in 1967, and the main campus is located in Campbell County. Fall 2019 enrollment was 465 students.

Source: Tennessee Technology Centers.

Roane State Community College Campbell County Branch. Roane State Community College, which began operation in 1971 in Harriman, Roane County, Tennessee, is a two-year higher education institution which serves a fifteen-county area. Fall 2020 enrollment was about 5,472 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

Roane State's 104-acre main campus is centrally located in Roane County where a wide variety of programs are offered. Roane State has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in West Knoxville.

Source: Roane State Community College.

HEALTHCARE

There are two hospitals that serve the County. *Jellico Community Hospital*, opened since 1974, operates as a nonprofit acute care facility with 54 beds under the direction of the Adventist Health System.

LaFollette Medical Center (previously St. Mary’s Medical Center of Campbell County) has 66 beds with 116 doctors and just recently finished a \$5 million renovation and expansion project. The hospital offers a full array of medical services such as a 24-hour emergency

department, general surgery and state-of-the-art diagnostic equipment like MRI, CT, nuclear medicine, x-ray and mammography. LaFollette Medical Center 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 Knoxville News Sentinel.

MANUFACTURING AND COMMERCE

Campbell County is home to several industrial parks. Campbell County Industrial Park Jacksboro consists of a total of 120,000 square feet on 20 acres. Campbell County Industrial Park Mueller Building consists of a total of 63,000 square feet on 12 acres. The Hollingsworth Industrial Park is located near Jacksboro, and the Oswego Industrial Park is located near Jellico in the northern area of the County. The City of Caryville has two industrial parks complete with infrastructure. The Collins Industrial Park is located adjoining Interstate 75 on 20 acres and the McGee Industrial Park near Highway 25W and Interstate 75. The City of LaFollette also has a fifteen-acre industrial site available for private development.

In addition to existing Industrial Parks, Campbell County has two new parks each within five minutes of access to Interstate 75. These parks have elaborate infrastructure in place to include roads, natural gas, electrical service, water and sewage. Both are within corporate limits and are served with fire and police protection.

Campbell County also has sites available in the Oswego Industrial Park, near Jellico, TN and supports marketing efforts by the City of LaFollette in promoting their business park property.

The following is a list of the larger employers located in the City and the County:

<u>Company</u>	<u>Product</u>	<u>Employment</u>
Campbell County School System	Administration/teachers/services	800
B/S/H Home Appliance Corp.	Barbeque Equipment	380
St. Mary’s Hospital (Lafollette)	Medical Center	325
Adventist Health System	Healthcare	300
WalMart	Retail	300
Campos Food	Food Distribution	285
Sunbridge Regency-TN		180
Lowe’s Home Centers	Retail	158
Camel Manufacturing	Canvas	150
Dixie Roofing, Inc.	Roofing	91

Source: Tennessee Department of Economic and Community Development - 2021.

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EMPLOYMENT INFORMATION

For the month of August 2021, the unemployment rate for the County stood at 4.8% with 14,166 persons employed out of a labor force of 14,882. The Knoxville MSA's unemployment for August 2021 was at 3.5% with 415,845 persons employed out of a labor force of 431,071. As of August 2021, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 3.6%, representing 534,815 persons employed out of a workforce of 554,715.

The following charts show unemployment trends in the City for the last 5 years:

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020*</u>
National	4.9%	4.4%	3.9%	3.7%	8.3%
Tennessee	4.7%	3.7%	3.5%	3.4%	7.5%
Campbell County	6.9%	5.2%	4.8%	4.6%	7.6%
Index vs. National	141	118	123	124	92
Index vs. State	147	141	137	135	101
Knoxville MSA	4.5%	3.5%	3.3%	3.2%	6.2%
Index vs. National	92	80	85	86	75
Index vs. State	96	95	94	94	83
Knoxville-Sevierville- Harriman CSA	4.4%	3.5%	3.2%	3.1%	6.8%
Index vs. National	90	80	82	84	82
Index vs. State	94	95	91	91	91

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

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

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ECONOMIC DATA

Per Capita Personal Income

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	\$49,019	\$50,015	\$52,118	\$54,606	\$56,490
Tennessee	\$42,626	\$43,626	\$45,233	\$47,210	\$48,684
Campbell County	\$31,420	\$31,524	\$32,452	\$33,677	\$34,655
Index vs. National	64	63	62	62	61
Index vs. State	74	72	72	71	71
Knoxville MSA	\$41,759	\$42,635	\$44,212	\$46,360	\$47,550
Index vs. National	85	85	85	85	84
Index vs. State	98	98	98	98	98
Knoxville-Sevierville- Harriman- LaFollette CSA	\$39,829	\$40,664	\$42,124	\$44,131	\$45,296
Index vs. National	81	81	81	81	80
Index vs. State	93	93	93	93	93

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

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Campbell County</u>	<u>LaFollette</u>
Median Value Owner Occupied Housing	\$217,500	\$167,200	\$104,400	\$77,000
% High School Graduates or Higher Persons 25 Years Old and Older	85.2%	87.5%	77.3%	75.1%
% Persons with Income Below Poverty Level	10.5%	13.9%	21.9%	31.1%
Median Household Income	\$62,843	\$53,320	\$39,803	\$30,876

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

RECREATION

There are several parks in the County. Each of these parks makes available the full menu of traditional, recreational activities. There are also numerous privately-operated recreational facilities available that include sites such as Deerfield, with its own landing strip providing visitors the opportunity to fly in and taxi to their own condo or take their golf cart to the first hole to tee off.

Chuck Swan Wildlife Management Area. Chuck Swan encompasses 24,444 acres of Union and Campbell counties in the ridge and valley section of East Tennessee. The area is located between the Clinch River arm and the Powell River arm of Norris Lake. The property is jointly managed by TWRA and the Tennessee Division of Forestry (TDF). The area has a fifty-yard and a one hundred-yard firing range. Camping is permitted in three designated campgrounds on the area located near the checking station.

Source: Tennessee Wildlife Resources Agency.

Cove Lake State Park. Located in Campbell County, Cove Lake's 673 acres are situated in a beautiful mountain valley setting on the eastern edge of the Cumberland Mountains. Year-round fishing is permitted on 210-acre Cove Lake. There are scenic nature trails and bike trails leading through the open grasslands and woodlands. In the winter, several hundred Canada Geese make this lakeshore their feeding ground. Nearby is the Devil's Race Track whose steep pinnacle rock affords a panoramic view. The park has an indoor pavilion, a restaurant, a swimming pool and many campsites and picnic areas. The Cumberland Trail State Park, the state's only linear park, can be accessed from Cove Lake. The park has over 500,000 visitors each year.

Source: Tennessee State Parks.

Cumberland Gap National Historical Park. Cumberland Gap National Historical Park is a total of 20,463 acres and includes sections in southeastern Kentucky, northeastern Tennessee, and southwestern Virginia. In Tennessee it is located in Campbell County. This mountain pass on the Wilderness Road, explored by Daniel Boone, developed into a main artery of the great trans-Allegheny migration for settlement of "the Old West" and an important military objective in the Civil War. Visitors to Cumberland Gap can journey back into history by participating in activities including nature hikes, Appalachian music and Saturday evening campfire programs. On a daily basis, visitors can enjoy self-guided hikes, spend time in the visitor center museum and movie theater, or join park rangers on guided tours.

Source: National Park Service.

Cumberland Trail State Park. The Cumberland Trail is the state's only linear park. It opened in 1998 and upon completion will be 300 miles long, cutting through 11 Tennessee counties from the Cumberland Gap National Historic Park on the Tennessee-Virginia-Kentucky border, to the Signal Point near Chattanooga. Currently 196 miles (16,786 acres) are open and ready for exploration. The trail is divided into 15 segments. It can be accessed in Campbell County through Cove Lake State Park in Caryville. The trail now provides a linkage north to south, forming natural connections and opportunities for scenic vistas and curious geological formations.

Source: Tennessee State Parks.

Indian Mountain State Park. Indian Mountain State Park is a multi-use facility in Campbell County near Tennessee's northern border at the base of Indian Mountain. The park has only 200 acres but over 297,000 people visit on average each year. In addition to providing camping and recreation opportunities, the 200-acre park is unique in that it was developed on reclaimed strip mine land. Park visitors can enjoy fishing at the two small lakes, picnicking, camping, and two walking trails.

Source: Tennessee State Parks.

Norris Dam, Reservoir and State Park. Tennessee Valley Authority's ("TVA") Norris Dam, the first dam TVA built, is located in neighboring Anderson County on the Clinch River. Norris Reservoir extends 73 miles up the Clinch River and 56 miles up the Powell from Norris Dam. It covers 5 counties: Anderson, Campbell, Union, Claiborne and Grainger Counties. Norris provides 809 miles of shoreline and 33,840 acres of water surface. It is the largest reservoir on a tributary of the Tennessee River. Norris Reservoir is an important component of the system TVA set up to reduce the risks of these disasters. The area around the Clinch River receives more than 45 inches of rain a year. In the past, floodwaters on the Clinch sometimes inundated areas hundreds of miles downstream. The recreational use of Norris Reservoir exceeds that of any other tributary reservoir in the TVA river system. Water sports at Norris include boating, water skiing, swimming, and excellent fishing.

The town of Norris, built to house workers on the dam, was a planned community that became a model for others throughout the nation. It was sold to private owners in 1948. In the 1930s, TVA established demonstration public parks at several locations on Norris Reservoir, including Cove Lake, Big Ridge, and the area around Norris Dam. These parks later became the nucleus of Tennessee's state park system. Norris Dam State Park has 4,000 acres located in Anderson County.

Source: Tennessee Valley Authority and Knoxville News Sentinel.

RECENT DEVELOPMENTS

BMT Manufacturing. In 2018 BMT Manufacturing expanded their operations in Campbell County, investing a total of \$3.7 million and creating 148 new jobs. There are two facilities. One in Jellico and another in Jacksboro. The company located the new operations in an existing building in Jellico and created 100 jobs at the new location, which was operational in early 2019. BMT plans on expanding its current operations in Jacksboro, creating 48 new jobs at the facility. BMT manufactures trailers for short bed, motorcycle, utility and cargo trailers. The company has been in operation since 2016.

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THE CITY OF LAFOLLETTE’S ELECTRIC SYSTEM

UTILITIES BOARD

The LaFollette Utilities Board (the “LUB”) is a municipally owned electrical power distributor, water and wastewater utility owned by the City of LaFollette, Tennessee (the “City”). The City is located about 45 miles north of Knoxville, Tennessee, in Campbell County. LUB serves approximately 22,641 electric, 10,212 water and 3,592 wastewater customers as of June 30, 2021.

HISTORY AND ORGANIZATION

The LaFollette Electric System (the “System”) was established in 1939 and is governed, pursuant to the provisions of Chapter 32 of the 1935 Public Acts of the State of Tennessee, by an Electric System Board appointed by the City Council of the City. The System is operated by the City as a separate department under the supervision of LUB, which employs a General Manager. LUB also operates the water and sewer system on behalf of the City.

Today, LUB’s Electric Department serves customers in the majority of Campbell County and portions of Claiborne and Union Counties. The System’s total customer count as of June 30, 2021, was 22,641. The System employs 69 equivalent full-time people and maintains 1,695 miles of line.

ELECTRIC BOARD OF DIRECTORS

A five-member Board of Directors (the “Board”) that is appointed by the Mayor and City Council governs the System. Members of the Board as of June 30, 2021, are as follows:

<u>Member</u>	<u>Term Expires</u>
J. H. Willoughby – Chair	June 30, 2021
Janice S. Walker – Vice-Chair	June 30, 2022
David Longmire – Sec./Treasurer	June 30, 2023
C. Boyd Henegar	June 30, 2024
John K. Snodderly	June 30, 2025

Walter M. (Kenny) Baird, Jr., General Manager. The Board has delegated responsibility for the day-to-day operation of the System to a General Manager, Mr. Walter M. (Kenny) Baird, Jr. Mr. Baird was initially employed by the Board as a part-time staff accountant in June 1987. He was hired as a full-time staff accountant upon the completion of his bachelor’s degree in May 1988. Mr. Baird holds a Bachelor of Business Administration degree in Accounting from Lincoln Memorial University and a Master of Business Administration degree from the University of Tennessee at Chattanooga, as well as an Associate in Applied Science degree in Electric Power Technology from Bismarck State College. Mr. Baird left the System in November 1989 and returned as the Director of Accounting & Finance in March 1993. He also

served a brief term on the Board, from July 1992 until February 1993. He is also a Certified Public Accountant in the State of Tennessee. Mr. Baird serves on the boards of numerous charitable, civic, and trade organizations, including the Tennessee Valley Public Power Association (TVPPA), where he is currently serving as their Secretary/Treasurer, the Chair of the Finance Committee and a member of the Executive Committee.

SERVICE AREA

The System's service area encompasses approximately 500 square miles in Campbell and portions of Claiborne and Union Counties, Tennessee, including approximately 4.9 square miles within the limits of the City of LaFollette. The System is the exclusive distributor of electric power within this service area.

DISTRIBUTION SYSTEM

Wholesale power is purchased from the Tennessee Valley Authority at four delivery points at 161 kV.

The System's distribution system serves approximately 22,641 residential, commercial, and industrial customers located within the City of LaFollette and most of Campbell County, along with several customers in Claiborne and Union Counties. The 7.2/12.47 kV distribution system consists of approximately 1,558 pole line miles of overhead conductor and approximately 137 miles of underground conductor. Numerous circuits from the eleven distribution substations provide for continuity of service via multiple interconnections throughout the System. The eleven substations are continuously monitored by an automated Supervisory Control and Data Acquisition (SCADA) system.

RECENT UPGRADES

Several distribution system improvements and line upgrades were completed throughout the System's service territory in 2021. LUB continues to strive to upgrade distribution facilities according to a long-range capital improvements plan based on engineering and operations studies. A new system study and system model update has recently been completed by a consulting engineering firm, resulting in a work plan that will be utilized to complete needed electric system improvements over the next fifteen to twenty years.

Several general plant improvements were completed in 2021. LUB recently completed construction on new office space for administration, accounting, engineering, and information technology. LUB also recently purchased several old buildings and a parking lot adjacent to the new administration building and completed basic improvements of those properties. The buildings will be used mostly for warehouse space.

SOURCE OF ELECTRIC POWER

Since its inception as a municipal system in 1939, the System has purchased all of its energy requirements from the Tennessee Valley Authority (the "TVA") pursuant to the standard contract (the "Power Contract"). In August 2019, LUB renegotiated its power supply contract with TVA, which included changing the terms from a ten-year to a twenty-year rolling

termination date. Under the Power Contract, TVA agrees to supply the amount of electric power required for service to the System's customers and the System agrees to purchase all of its electric power from TVA, with the possible exception that up to five percent of LUB's power requirements may be generated by LUB or purchased from another supplier according to the terms of the new power contract executed in August 2019.

The cost and availability of power to the System may be affected by, among other things, factors relating to TVA's nuclear program, fuel supply, environmental considerations such as future legislation regulating the mining of coal, the construction and financing of future generating and transmission facilities and other factors relating to TVA's ability to supply the power demands of its customers, including the System. The power sold to the System is supplied from the entire TVA system and not one specific generating facility.

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power when and to the extent needed by the System. Neither TVA nor the System is liable for breach of contract if the availability or use of power is interrupted or curtailed or if either party is prevented from performing under the Power Contract by circumstances reasonably beyond its control. The amount of power supplied by TVA and the contractual obligation to supply such power are limited by the capacity of the TVA's generating and transmission facilities.

The Power Contract provides that the System may sell power to all customers in its service area, except certain Federal installations and large customers that TVA may serve directly.

The Power Contract specifies the wholesale purchase rates and the monthly resale rates to be adhered to by the System, which may be revised periodically by TVA, through the publication of an Adjustment Addendum, to cover increased costs to TVA. (SEE "ELECTRIC RATES" below.)

THE TENNESSEE VALLEY AUTHORITY

The Tennessee Valley Authority Act of 1933, as amended, established TVA as a wholly owned corporate agency and instrumentality of the United States of America. The Act's objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region. All powers of TVA are vested in its Board. The Consolidated Appropriations Act of 2005 amended the TVA Act, restructuring the TVA Board from 3 full-time members to 9 part-time members, at least 7 of whom must be legal residents of the TVA service area. TVA Board members are appointed by the President of the United States by and with the advice and consent of the U.S. Senate. After an initial phase-in period, TVA Board members serve 5-year terms, and at least one member's term ends each year.

TVA has a fuel cost tracker, which provides for monthly adjustments to TVA’s wholesale power rates for changes in the cost of fuel used to generate electric power.

ELECTRIC RATES

The System has agreed to adhere to resale rates in accordance with the Power Contract with TVA and specifically as provided by the current rate schedule effective October 2018 (SEE “RESIDENTIAL AND GENERAL POWER RESALE RATES OF THE SYSTEM”). The Power Contract provides further that if the resale rates set forth therein do not provide sufficient revenues for the operation and maintenance of the System on a self-supporting, financially sound basis, including debt service, the Board and TVA will agree to changes in rates to provide increased revenues. Similarly, if the rates and charges produce excess revenues, the parties will agree to rate reductions. Since the date of the Power Contract, TVA, by use of Adjustment Addenda, has adjusted the wholesale and resale rates from time to time through publication. The System is not otherwise subject to rate regulation under existing law, and the LaFollette Utilities Board of Directors is not aware of any pending legislation to make its electric rates subject to regulation.

RESIDENTIAL AND GENERAL POWER RATES

The following schedule outlines the retail electric rates charged by the System as of June 30, 2021:

I. Residential Rates – Schedule RS:

<i>Customer Charge:</i>	\$20.13 per month
<i>Energy Charge:</i>	\$0.10489 per kWh

II. General Power Rates – Schedule GSA

Part 1

<i>Customer Charge:</i>	\$27.65 per month
<i>Energy Charge:</i>	\$0.12691 per kWh

Part 2

<i>Customer Charge:</i>	\$104.39 per delivery point per month
<i>Demand Charge:</i>	First 50 kW - No Charge Over 50 kW - \$17.11 per kW
<i>Energy Charge:</i>	First 15,000 kWh – \$0.12761 per kWh Additional kWh – \$0.06987 per kWh

Part 3

<i>Customer Charge:</i>	\$365.36 per delivery point per month
<i>Demand Charge:</i>	First 1,000 kW - \$17.29 per kW Next 1,500 kW - \$22.36 per kW Excess over 2,500 kW - \$44.72 per kW

<i>Energy Charge:</i>	\$0.06987 per kWh
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Schedule GSB

Customer Charge:

\$1,500.00 per delivery point per month

Demand Charge:

On-Peak - \$10.87 per kW

Maximum - \$5.21 per kW

In Excess of Contract Demand - \$10.87 per kW

Energy Charge:

On-Peak – \$0.08165 per kWh

Off-Peak First 200 hours – \$0.05674 per kWh

Off-Peak Next 200 hours - \$0.02216 per kWh

Off-Peak Additional kWh – \$0.01875 per kWh

Schedule GSC

Customer Charge:

\$1,500.00 per delivery point per month

Demand Charge:

On-Peak - \$10.87 per kW

Maximum - \$4.60 per kW

In Excess of Contract Demand - \$10.87 per kW

Energy Charge:

On-Peak – \$0.08165 per kWh

Off-Peak First 200 hours – \$0.05674 per kWh

Off-Peak Next 200 hours - \$0.02216 per kWh

Off-Peak Additional kWh – \$0.01875 per kWh

Schedule GSD

Customer Charge:

\$1,500.00 per delivery point per month

Demand Charge:

On-Peak - \$10.87 per kW

Maximum - \$4.59 per kW

In Excess of Contract Demand - \$10.87 per kW

Energy Charge:

On-Peak – \$0.08165 per kWh

Off-Peak First 200 hours – \$0.05674 per kWh

Off-Peak Next 200 hours - \$0.02102 per kWh

Off-Peak Additional kWh – \$0.01875 per kWh

Source: Audited Financial Statements, LaFollette Utilities Board

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OPERATING AND FINANCIAL HISTORY

OPERATING HISTORY

The following tables present information relating to the number of meters in service, operating revenues of the System, and data on the largest industrial customers. Unless otherwise stated, such information is presented for the fiscal years ended June 30 in the years shown.

NUMBER OF METERS IN SERVICE

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Residential	19,098	19,157	19,169	19,324	19,503
General Power – 50kW	2,668	2,694	2,726	2,737	2,823
General Power – Over 50kW	200	197	195	182	182
Street and Athletic	<u>140</u>	<u>139</u>	<u>141</u>	<u>137</u>	<u>133</u>
Total	<u>22,106</u>	<u>22,187</u>	<u>22,231</u>	<u>22,380</u>	<u>22,641</u>

Source: System Officials

HISTORICAL ELECTRIC SYSTEM USE

The following table shows historical figures for the population of Campbell County, the System's average number of customers, electric load, and electric sales.

<u>Year</u>	<u>Population</u>	<u>Number of Meters</u>	<u>Peak System Demand (kW)</u>	<u>Sales kWh</u>
2017	39,791	22,106	103,145	393,049,866
2018	39,795	22,187	120,299	400,265,422
2019	39,842	22,231	105,402	397,411,854
2020	39,936	22,380	97,614	384,374,535
2021	39,837	22,641	102,570	393,289,006

Source: System Officials

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OPERATING STATISTICS

For the Fiscal Year Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<i>Power Usage – kWh</i>					
Residential	243,931,527	253,535,085	251,991,783	248,910,998	259,273,195
Small Commercial / Industrial (<50 kW)	32,172,660	33,247,636	33,270,691	32,459,483	33,443,899
Large Commercial / Industrial (>50kW)	110,706,447	107,295,125	106,133,688	97,083,118	94,975,531
Street & Athletic	<u>6,239,232</u>	<u>6,187,576</u>	<u>6,015,692</u>	<u>5,920,936</u>	<u>5,596,381</u>
Total Power Usage	<u>393,049,866</u>	<u>400,265,422</u>	<u>397,411,854</u>	<u>384,374,535</u>	<u>393,289,006</u>
<i>Purchased Power</i>					
kWh	400,549,485	418,633,185	422,258,934	408,025,798	417,528,224
Total Cost	\$31,342,056	\$33,539,884	\$33,472,389	\$31,187,076	\$30,628,081
<i>Maximum kW</i>					
Demand	103,145	120,299	105,402	97,614	102,570
<i>Wholesale Power</i>					
Cost as % of Sales	68%	69%	69%	67%	64%

Source: System Officials

TEN LARGEST ELECTRIC CUSTOMERS IN 2021

The ten largest customers in the System in order of total sales are listed below. These ten top electric customers represent 10.2% of the total electric sales dollars and 10.7% of the total kWh usage.

Name	Annual Sales (Dollars)	Annual (kWh) Usage	Annual kW Demand
Campos Foods	\$1,521,841	13,824,000	2,282
Matix Corporation	614,327	5,997,600	912
Wal-Mart Supercenter	452,956	4,442,400	667
LaFollette Water Plant	436,613	3,830,400	816
Evergreen Packaging	379,551	1,641,600	955
BSH Home Appliance	332,299	3,043,200	558
Food City	292,602	2,995,200	399
LaFollette Medical Center	291,001	2,883,600	429
TELOS	271,123	2,083,200	492
Rogers Group	<u>256,272</u>	<u>1,296,000</u>	778
TOTALS	<u>\$4,848,585</u>	<u>42,037,200</u>	

Source: System Officials

PERSONNEL

The average number of employees in the System for the following years is as follows:

2017.....	69
2018.....	69
2019.....	67
2020.....	69
2021.....	69

CAPITAL IMPROVEMENTS PROGRAM

In an effort to meet System demands and customer requirements as well as maintaining the existing system, the following capital improvements and additions are planned for the next 3 years:

2021-2022	\$3,300,000
2022-2023	\$3,500,000
2023-2024	\$3,500,000

PENSION

The Electric Department contributes to the National Rural Electric Cooperative Association Retirement Security Plan, which is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor’s Employer Identification Number is 53-0116145 and the Plan Number is 333. Participants have been credited for employment with the Electric Department since 1970, and substantially all employees are participants. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

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

OTHER POST EMPLOYMENT BENEFITS (THE “OPEB”)

The City of LaFollette – Board of Public Utilities’ Board of Directors approved a single-employer defined benefit healthcare plan that is self-administered. The Plan provides partial payment of health insurance premiums for eligible retirees and their dependents. The Plan provides for the Electric Department to pay 2% per year of service up to a maximum of 50% of the employee premium for a total of 5 years. It also provides for the Electric Department to pay 1% per year of service up to a maximum of 25% of the dependent and surviving spouse’s premium for a total of 5 years. This is a joint plan with the Water Department.

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

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CITY OF LAFOLLETTE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

Amount Issued (1)	Purpose	Due Date	Interest Rate(s)	Estimated Outstanding Debt - As of June 30, 2021 (1)
1,500,000	General Obligation Capital Outlay Notes, Series 2020 (Issued 12-21-2020)	2031	Fixed	1,500,000
974,000	General Obligation Refunding Capital Outlay Notes, Series 2021 (Issued 05-21-2021)	2027	Fixed	974,000
1,060,000	(4) TLDA Loan Agreement, Series 2003	2026	Fixed	256,379
6,500,000	(4) TLDA Loan Agreement, Series 2006	2031	Fixed	3,791,092
5,990,000	(5) General Obligation Refunding Bonds, Series 2015A (100% Revenue Supported)	March 1, 2022	Fixed	1,490,000
8,360,000	(5) General Obligation Bonds, Series 2017 (100% Revenue Supported)	March 1, 2037	Fixed	7,970,000
13,465,000	(6) General Obligation Bonds, Series 2019 (100% Revenue Supported)	March 1, 2034	Fixed	11,215,000
250,000	(5) Electric System Revenue Anticipation Notes, Series 2020	June 1, 2025	Fixed	200,000
8,950,000	(7) General Obligation Bonds, Series 2021 (100% Revenue Supported)	June 1, 2038	Fixed	8,950,000
\$ 47,049,000	BONDED INDEBTEDNESS			\$ 36,346,471
\$ 6,750,000	(5) General Obligation Bonds, Series 2021B (100% Revenue Supported)	June 1, 2041	Fixed	6,750,000
(11,105,000)	Less: Water Revenue Supported Debt			(7,192,471)
(40,220,000)	Less: Electric Revenue Supported Debt			(33,430,000)
\$ 2,474,000	NET DIRECT BONDED INDEBTEDNESS			\$ 2,474,000

Notes:

- (1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) Revenue Only Indebtedness.
- (3) The City budgets to account for interest rate and/or basis risk.
- (4) Water and Sewer System Supported Debt
- (5) Electric System Supported Debt
- (6) \$9,890,000 of the Series 2019 Bonds are supported by the City's Electric System and \$1,325,000 of the Series 2019 Bonds are supported by the City's Water and Sewer System.
- (7) \$7,130,000 of the Series 2021 Bonds are supported by the City's Electric System and \$1,820,000 of the Series 2021 Bonds are supported by the City's Water and Sewer System.

CITY OF LAFOLLETTE, TENNESSEE
INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

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

	For the Fiscal Year Ended June 30,				City Unaudited 2021	After Issuance 2021
	2017	2018	2019	2020		
TAX SUPPORTED						
General Obligation Bonds, Notes & Leases	\$ 2,155,000	\$ 1,866,000	\$ 1,569,000	\$ 1,263,000	\$ 2,474,000	\$ 2,474,000
TOTAL TAX SUPPORTED	\$ 2,155,000	\$ 1,866,000	\$ 1,569,000	\$ 1,263,000	\$ 2,474,000	\$ 2,474,000
REVENUE SUPPORTED						
Water and Sewer System	\$ 10,316,872	\$ 9,591,505	\$ 8,855,501	\$ 7,944,184	\$ 7,192,471	\$ 7,192,471
Electric System	36,813,189	33,993,607	31,109,312	28,915,000	26,680,000	33,430,000
TOTAL REVENUE SUPPORTED	\$ 47,130,061	\$ 43,585,112	\$ 39,964,813	\$ 36,859,184	\$ 33,872,471	\$ 40,622,471
TOTAL DEBT	\$ 49,285,061	\$ 45,451,112	\$ 41,533,813	\$ 38,122,184	\$ 36,346,471	\$ 43,096,471
Less: Revenue Supported Debt	\$ (47,130,061)	\$ (43,585,112)	\$ (39,964,813)	\$ (36,859,184)	\$ (33,872,471)	\$ (40,622,471)
Less: Debt Service Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET DIRECT DEBT	\$ 2,155,000	\$ 1,866,000	\$ 1,569,000	\$ 1,263,000	\$ 2,474,000	\$ 2,474,000

PROPERTY TAX BASE						
Estimated Actual Value	\$391,904,009	\$384,528,308	\$409,961,256	\$439,610,578	\$439,610,578	\$439,610,578
Appraised Value	384,379,452	377,145,364	376,221,445	439,610,578	439,610,578	439,610,578
Assessed Value	125,413,374	123,062,581	122,767,056	144,119,303	144,119,303	144,119,303

DEBT RATIOS	For the Fiscal Year Ended June 30,				Unaudited		After Issuance	
	2017	2018	2019	2020	2021	2021	2021	2021
TOTAL DEBT to Estimated Actual Value	12.58%	11.82%	10.13%	8.67%	8.27%	8.27%	9.80%	9.80%
TOTAL DEBT to Appraised Value	12.82%	12.05%	11.04%	8.67%	8.27%	8.27%	9.80%	9.80%
TOTAL DEBT to Assessed Value	39.30%	36.93%	33.83%	26.45%	25.22%	25.22%	29.90%	29.90%
NET DIRECT DEBT to Estimated Actual Value	0.55%	0.49%	0.38%	0.29%	0.56%	0.56%	0.56%	0.56%
NET DIRECT DEBT to Appraised Value	0.56%	0.49%	0.42%	0.29%	0.56%	0.56%	0.56%	0.56%
NET DIRECT DEBT to Assessed Value	1.72%	1.52%	1.28%	0.88%	1.72%	1.72%	1.72%	1.72%
PER CAPITA RATIOS								
POPULATION (1)	6,807	6,737	6,688	6,688	6,688	6,688	6,688	6,688
PER CAPITA PERSONAL INCOME (2)	\$32,569	\$33,967	\$33,967	\$33,967	\$33,967	\$33,967	\$33,967	\$33,967
Estimated Actual Value to POPULATION	\$57,574	\$57,077	\$61,298	\$65,731	\$65,731	\$65,731	\$65,731	\$65,731
Assessed Value to POPULATION	\$18,424	\$18,267	\$18,356	\$21,549	\$21,549	\$21,549	\$21,549	\$21,549
Total Debt to POPULATION	\$7,240	\$6,746	\$6,210	\$5,700	\$5,435	\$5,435	\$6,444	\$6,444
Net Direct Debt to POPULATION	\$317	\$277	\$235	\$189	\$370	\$370	\$370	\$370
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.97%	0.82%	0.69%	0.56%	1.09%	1.09%	1.09%	1.09%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.97%	0.82%	0.69%	0.56%	1.09%	1.09%	1.09%	1.09%

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

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

CITY OF LAFOLLETTE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F. Y. Ended 6/30	General Obligation Capital Outlay Notes, Series 2020		General Obligation Refunding Capital Outlay Notes, Series 2021		Debt Service Requirements (1)		% All Principal Repaid
	Principal	Interest (2)	Principal	Interest (3)	Principal	Interest	
2022	\$ 137,000	\$ 34,833	\$ 163,000	\$ 9,091	\$ 300,000	\$ 43,924	12.13%
2023	139,000	28,487	163,000	9,732	302,000	38,219	24.33%
2024	142,000	25,582	162,000	7,776	304,000	33,358	36.62%
2025	145,000	22,614	162,000	5,832	307,000	28,446	49.03%
2026	148,000	19,583	162,000	3,888	310,000	23,471	61.56%
2027	151,000	16,490	162,000	1,944	313,000	18,434	74.21%
2028	155,000	13,334	-	-	155,000	13,334	80.48%
2029	158,000	10,095	-	-	158,000	10,095	86.86%
2030	161,000	6,793	-	-	161,000	6,793	93.37%
2031	164,000	3,428	-	-	164,000	3,428	100.00%
	<u>\$ 1,500,000</u>	<u>\$ 181,238</u>	<u>\$ 974,000</u>	<u>\$ 38,263</u>	<u>\$ 2,474,000</u>	<u>\$ 219,501</u>	
							<u>\$ 2,693,501</u>

NOTES:

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

LAFOLLETTE WATER SYSTEM
CITY OF LAFOLLETTE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer

F.Y. Ended 6/30	Total Bonded Debt Service Requirements			% All Principal Repaid
	Principal	Interest	TOTAL	
2022	\$ 729,255	\$ 142,594	\$ 871,849	10.14%
2023	737,889	118,455	856,344	
2024	701,561	102,533	804,094	
2025	710,248	88,496	798,744	
2026	625,254	74,400	699,654	48.72%
2027	605,504	63,722	669,226	
2028	573,888	52,788	626,676	
2029	577,284	42,892	620,176	
2030	580,716	33,460	614,176	
2031	290,872	27,300	318,172	85.26%
2032	155,000	21,200	176,200	
2033	155,000	18,100	173,100	
2034	150,000	15,000	165,000	
2035	150,000	12,000	162,000	
2036	150,000	9,000	159,000	95.83%
2037	150,000	6,000	156,000	
2038	150,000	3,000	153,000	100.00%
	<u>\$ 7,192,471</u>	<u>\$ 830,940</u>	<u>\$ 8,023,411</u>	

NOTES:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the AUDIT REPORT included herein.

LAFOLLETTE ELECTRIC SYSTEM
CITY OF LAFOLLETTE, TENNESSEE
 BONDED DEBT SERVICE REQUIREMENTS - Electric System

F.Y. Ended	Estimated Existing Debt - Electric System (1) As of June 30, 2021		General Obligation Bonds, Series 2021B			% 2021B Principal Repaid		Total Bonded Debt Service Requirements (1)		% All Principal Repaid
	Principal	Interest	Principal	Interest (2)	TOTAL	Principal	Interest	Principal	Interest	
6/30										
2022	\$ 3,225,000	\$ 932,345	\$ 4,157,345	\$ 71,294	\$ 4,228,639	\$ 3,225,000	\$ 1,003,639	\$ 4,228,639		9.65%
2023	2,250,000	797,793	3,047,793	156,500	3,204,293	2,610,000	954,293	3,564,293		
2024	2,290,000	708,283	2,998,283	145,700	3,144,000	2,650,000	853,983	3,503,983		
2025	2,305,000	620,973	2,925,973	134,900	3,060,873	2,665,000	755,873	3,420,873		
2026	1,935,000	531,913	2,466,913	124,100	2,591,013	2,295,000	656,013	2,951,013		40.22%
2027	1,975,000	459,738	2,434,738	113,300	2,548,038	2,330,000	573,038	2,903,038		
2028	2,010,000	384,588	2,394,588	102,650	2,497,238	2,365,000	487,238	2,852,238		
2029	2,045,000	307,738	2,352,738	84,900	2,437,638	2,400,000	399,738	2,799,738		
2030	2,025,000	235,163	2,260,163	84,900	2,345,063	2,380,000	320,063	2,700,063		
2031	1,145,000	181,350	1,326,350	77,800	1,404,150	1,500,000	259,150	1,759,150		73.05%
2032	1,045,000	150,200	1,195,200	70,700	1,265,900	1,400,000	220,900	1,620,900		
2033	1,060,000	123,550	1,183,550	63,600	1,247,150	1,415,000	187,150	1,602,150		
2034	1,075,000	96,200	1,171,200	56,500	1,227,700	1,430,000	152,700	1,582,700		
2035	895,000	68,150	963,150	49,400	1,012,550	1,250,000	117,550	1,367,550		
2036	660,000	43,063	703,063	42,300	745,363	1,015,000	85,363	1,100,363		92.52%
2037	675,000	22,425	697,425	35,200	732,625	1,030,000	57,625	1,087,625		
2038	65,000	1,300	66,300	28,100	94,400	420,000	29,400	449,400		
2039	-	-	-	21,000	21,000	350,000	21,000	371,000		
2040	-	-	-	14,000	14,000	350,000	14,000	364,000		
2041	-	-	-	7,000	7,000	350,000	7,000	357,000		100.00%
	<u>\$ 26,680,000</u>	<u>\$ 5,664,767</u>	<u>\$ 32,344,767</u>	<u>\$ 1,490,944</u>	<u>\$ 33,835,711</u>	<u>\$ 33,430,000</u>	<u>\$ 7,155,712</u>	<u>\$ 40,585,712</u>		

NOTES:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the AUDIT REPORT included herein. Includes Electric Revenue Only Debt and Electric Revenue Supported Debt.

(2) Average Coupon of 2.12%.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

	<u>For the Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<i>Government Funds:</i>					
General	\$5,709,842	\$3,934,387	\$3,408,567	\$3,799,019	N/A
Other Governmental	<u>396,727</u>	<u>497,927</u>	<u>600,157</u>	<u>607,788</u>	N/A
Total	<u>\$6,106,569</u>	<u>\$4,432,314</u>	<u>\$4,008,724</u>	<u>\$4,406,807</u>	<u>N/A</u>
<i>Enterprise Net Assets:</i>					
Electric Department	\$35,710,544	\$37,688,358	\$38,815,113	\$40,148,360	\$42,529,606
Water Department	<u>25,147,365</u>	<u>25,759,281</u>	<u>25,852,745</u>	<u>26,372,967</u>	<u>\$26,591,867</u>
Total	<u>\$60,857,909</u>	<u>\$63,447,639</u>	<u>\$64,667,858</u>	<u>\$66,521,327</u>	<u>\$69,121,473</u>

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

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CITY OF LAFOLLETTE, TENNESSEE
 Five Year Summary of Revenues, Expenditures and
 Changes In Fund Balances - General Fund

	For the Fiscal Year Ended June 30				
	2016	2017	2018	2019	2020
Revenues:					
Taxes	\$ 4,095,251	\$ 4,137,078	\$ 4,117,150	\$ 4,051,883	\$ 4,433,944
Intergovernmental	895,217	935,006	923,967	919,522	926,816
Charges for Services	576,075	634,669	483,816	490,577	551,281
Grant Revenue and Contributions	462,181	148,896	294,347	8,540	249,483
Rent Income	6,500	9,200	-	-	-
Miscellaneous	286,184	321,519	472,337	934,821	497,150
Total Revenues	\$ 6,321,408	\$ 6,186,368	\$ 6,291,617	\$ 6,405,343	\$ 6,658,674
Expenditures:					
Administration and Finance	\$ 1,169,217	\$ 1,340,228	\$ 1,347,040	\$ 1,561,935	\$ 1,361,746
Codes Administration	3,326	4,380	6,829	8,799	88,899
Police Protection	1,919,931	2,030,057	2,154,476	2,190,549	2,153,940
Fire Protection	1,328,563	1,463,006	1,676,093	1,587,251	1,550,538
Animal and Infectious Disease Contr	71,335	75,435	105,860	86,602	2,754
Streets and Highways	1,855,904	977,180	2,422,484	1,262,515	984,895
Fleet Maintenance	79,934	94,790	88,710	93,797	90,841
Sanitation	144,939	156,227	165,169	191,860	199,557
Engineering	6,500	-	28,438	53,547	4,917
Solid Waste Management	8,742	8,445	9,003	13,294	6,698
Recreation Center and Library	601,276	652,925	923,552	792,035	659,928
Debt Service	294,444	294,360	343,299	347,715	411,498
Total Expenditures	\$ 7,484,111	\$ 7,097,033	\$ 9,270,953	\$ 8,189,899	\$ 7,516,211
Excess of Revenues Over (Under) Expenditures	\$ (1,162,703)	\$ (910,665)	\$ (2,979,336)	\$ (1,784,556)	\$ (857,537)
Other Financing Sources (Uses):					
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Note / Lease / Bond Proceeds	-	1,500,000	-	-	-
Transfers In Lieu of Tax-Electric Dep	1,182,650	1,237,675	1,250,850	1,293,475	1,249,300
Transfers Out	(38,256)	(42,295)	(46,969)	(34,739)	(41,311)
Total	\$ 1,144,394	\$ 2,695,380	\$ 1,203,881	\$ 1,258,736	\$ 1,247,989
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ (18,309)	\$ 1,784,715	\$ (1,775,455)	\$ (525,820)	\$ 390,452
Fund Balance July 1	\$ 3,928,663	\$ 3,925,127	\$ 5,709,842	\$ 3,934,387	\$ 3,408,567
Prior Period Adjustment	14,773	-	-	-	-
Fund Balance June 30	\$ 3,925,127	\$ 5,709,842	\$ 3,934,387	\$ 3,408,567	\$ 3,799,019

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

CITY OF LAFOLLETTE, TENNESSEE
LAFOLLETTE ELECTRIC SYSTEM
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - Electric System

	For the Fiscal Year Ended June 30				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>OPERATING REVENUES:</u>					
Charges for services	\$ 46,679,274	\$ 48,865,034	\$ 49,078,597	\$ 47,001,814	\$ 47,858,136
Other revenues	1,136,833	1,190,788	1,221,108	1,320,465	1,348,131
TOTAL OPERATING REVENUES	\$ 47,816,107	\$ 50,055,822	\$ 50,299,705	\$ 48,322,279	\$ 49,206,267
<u>OPERATING EXPENSES:</u>					
Purchased Power/Programming	\$ 32,093,015	\$ 33,539,884	\$ 33,472,389	\$ 31,187,076	\$ 30,628,080
General and Administrative	6,330,953	6,344,404	6,785,587	6,928,343	6,725,680
Maintenance Expenses	2,422,854	2,036,976	2,615,853	2,283,563	2,830,005
Provision for Depreciation	3,465,215	3,534,427	3,602,594	3,705,541	3,855,890
Taxes & Tax Equivalents	654,912	662,492	684,925	679,828	695,464
TOTAL OPERATING EXPENSES	\$ 44,966,949	\$ 46,118,183	\$ 47,161,348	\$ 44,784,351	\$ 44,735,119
INCOME FROM OPERATIONS	\$ 2,849,158	\$ 3,937,639	\$ 3,138,357	\$ 3,537,928	\$ 4,471,148
<u>OTHER INCOME AND (EXPENSE):</u>					
Interest Income	\$ 15,223	\$ 114,866	\$ 132,412	\$ 65,708	\$ 9,592
Interest Expense	(668,836)	(881,959)	(852,444)	(861,564)	(814,869)
Debt Issuance Cost	-	-	-	(159,950)	(2,000)
Miscellaneous	(152,270)	(2,330)	1,905	425	-
OTHER INCOME (EXPENSE) – NET	\$ (805,883)	\$ (769,423)	\$ (718,127)	\$ (955,381)	\$ (807,277)
NET INCOME	\$ 2,043,275	\$ 3,168,216	\$ 2,420,230	\$ 2,582,547	\$ 3,663,871
Capital contributions in aid of construction	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out - taxes and tax equivalents	(1,237,675)	(1,250,850)	(1,293,475)	(1,249,300)	(1,282,625)
Net Assets at beginning of year	\$ 34,904,944	\$ 34,904,944	\$ 37,688,358	\$ 38,815,113	\$ 40,148,360
Adjustments	-	866,048	-	-	-
RETAINED EARNINGS, AT END OF YEAR	\$ 35,710,544	\$ 37,688,358	\$ 38,815,113	\$ 40,148,360	\$ 42,529,606

Source: Comprehensive Annual Financial Report for LaFollette Electric System, LaFollette, Tennessee

CITY OF LAFOLLETTE, TENNESSEE
LAFOLLETTE ELECTRIC SYSTEM

Historical Coverage Of Proforma Maximum Annual Debt Service Requirements - Electric System
For Fiscal Year Ended June 30

	2017	2018	2019	2020	2021
Net Income	\$ 2,043,275	\$ 3,168,216	\$ 2,420,230	\$ 2,582,547	\$ 3,663,871
Plus:					
Amortization	-	-	-	159,950	2,000
Interest Expense	668,836	881,959	852,444	861,564	814,869
Depreciation and Amortization	3,465,215	3,534,427	3,602,594	3,705,541	3,855,890
Net Revenue Available for Debt Service	\$ 6,177,326	\$ 7,584,602	\$ 6,875,268	\$ 7,309,602	\$ 8,336,630
Annual Debt Service Requirement - Includes Tax Backed Debt	\$ 3,380,891	\$ 3,607,739	\$ 3,718,319	\$ 3,804,721	\$ 4,194,224
Coverage Ratio	1.83 x	2.10 x	1.85 x	1.92 x	1.99 x
<u>Proposed Maximum Annual Debt Service Requirement Including Tax Backed Debt (2022)</u>	\$ 4,228,639	\$ 4,228,639	\$ 4,228,639	\$ 4,228,639	\$ 4,228,639
Coverage Ratio	1.46 x	1.79 x	1.63 x	1.73 x	1.97 x

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Clerk. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. For reporting purposes, all investments are stated at cost which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

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

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

County Taxation of Property

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

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

Assessment of Property

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

assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

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

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

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

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

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

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if

approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

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

Valuation for Property Tax Purposes

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

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2020¹.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$ 3,179,242	55%	\$ 7,226,152
Commercial and Industrial	77,644,240	40%	194,110,600
Personal Tangible Property	15,022,845	30%	50,076,044
Residential and Farm	<u>44,532,800</u>	25%	<u>178,131,200</u>
TOTAL	<u>\$140,379,127</u>		<u>\$429,543,996</u>

¹ The tax year coincides with the calendar year, therefore, tax year 2020 is actually fiscal year 2020-2021.
Source: 2020 Tax Aggregate Report of Tennessee and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2021 (tax year 2020) is \$140,379,127 compared to \$144,119,303 for the fiscal year ending June 30, 2020 (tax year 2019). The estimated actual value of all taxable property for tax year 2020 is \$429,543,996 compared to \$439,610,578 for tax year 2019.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2016 through 2020 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2020.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year ²	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2020 Amount	Pct
2016	\$125,413,374	\$1.295	\$1,577,153	\$1,467,418	93.0%	\$ 3,046	0.2%
2017	123,062,581	1.295	1,557,538	1,433,020	92.0%	3,579	0.2%
2018	122,767,056	1.295	1,555,909	1,416,497	91.0%	47,589	3.1%
2019	144,119,303	1.295	1,822,634	1,663,730	91.3%	158,904	8.7%
2020	140,379,127	1.295	1,970,841	IN PROCESS			

Source: Tax Aggregate Reports of Tennessee and the Comprehensive Financial Audits of the City.

² The tax year coincides with the calendar year, therefore, tax year 2020 is actually fiscal year 2020-2021.

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Ten Largest Taxpayers. For the fiscal year ending June 30, 2021 (tax year 2020), the ten largest taxpayers in the City are as follows:

	<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>Taxes Paid</u>
1.	LaFollette Medical Center	Hospital	\$ 7,391,320	\$ 95,718
2.	Woodson’s Cash Stores	Shopping Centers	4,991,255	64,636
3.	Lowe’s Home Centers, Inc.	Retail	3,131,480	40,533
4.	First National Bank	Financial Institution	1,744,480	22,591
5.	Tracobi, LLC	Real Estate	1,685,445	21,826
6.	OHI Asset, LLC	Nursing Home	1,652,280	21,397
7.	CSX Transportation, Inc.	Rail Road	1,643,520	21,280
8.	Ayers Real Estate	Real Estate	1,459,665	18,903
9.	WVRLOC	Retail	1,438,160	18,624
10.	Wheeler E F Jr.	Real Estate	<u>1,294,960</u>	<u>16,769</u>
	TOTAL		<u>\$26,432,295</u>	<u>\$342,277</u>

Source: Office of City Clerk.

PENSION PLAN

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

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

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GENERAL PURPOSE FINANCIAL STATEMENTS

OF

CITY OF LAFOLLETTE, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2020

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

CITY OF LAFOLLETTE

LaFollette, Tennessee

**FINANCIAL STATEMENTS, SUPPLEMENTAL
INFORMATION AND OTHER REPORTS**

For the Year Ended June 30, 2020



CITY OF LAFOLLETTE

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INTRODUCTORY SECTION

CITY OF LAFOLLETTE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

June 30, 2020

LaFollette City Council

Michael Stanfield, Mayor
Lonnie Wilson, Vice Mayor
Bill Archer, Councilman
Mark Hoskins, Councilman
Ann Thompson, Councilwoman

LaFollette City Management

James Jeffries, City Administrator
Johnny Byrge, Recreation Director
Charles Eldridge, Fire Chief
Stan Foust, City Clerk
Nancy Green, Library Director
Casey Boshears, Public Works Director
Bill Roehl, Police Chief
Daniel Foster, Animal Control Director
Terry Sweat, Finance Director (CMFO Designee)
Barbara Wilson, City Treasurer

Emergency Communications District

Dan Marsee, Chairperson
Ann Thompson, Vice Chairperson
Mark Wells, Secretary/Treasurer
Mary Stittums, Board Member
Vinnie Stanfield, Board Member
Bill Roehl, Police Chief, Board Member
Charles Eldridge, Fire Chief, Board Member
Todd Overbay, Director

Board of Public Utilities

J.H. Willoughby, Chairman
James Campbell, Vice Chairman
Janice Walker, Secretary/Treasurer
David Longmire, Board Member
Boyd Henegar, Board Member
Walter (Kenny) Baird, Jr., General Manager

FINANCIAL SECTION



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of LaFollette
LaFollette, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the City of LaFollette Emergency Communications District, which is presented as a discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statement for the general fund of the City of LaFollette (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of LaFollette as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statement of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independently owned member
RSM US Alliance



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through xiv and the schedules related to the pension plans and post-retirement plans on pages 49 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information Sections

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LaFollette's basic financial statements. The supplementary information section, including the schedule of expenditures of federal awards and state financial assistance and the introductory and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the supplementary information section as listed in the table of contents and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory and other information sections as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021 on our consideration of the City of LaFollette's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of LaFollette's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
January 8, 2021

CITY OF LAFOLLETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of LaFollette (the "City"), has provided this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$78,522,809.
- The City's total net position increased by \$2,244,118 from the results of its operations.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,406,807, an increase of \$398,083. Approximately 84% of this total amount or \$3,688,991 is reported as unrestricted fund balances.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$3,688,765, or approximately 49% of total general fund expenditures.
- The City's total debt decreased by \$1,778,729 during the current fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's financial information, in a manner similar to a private-sector business. Activities are considered either as those of the primary government (the government as legally defined) or those of the component unit (a legally separate entity for which the primary government is financially accountable).

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include administration and finance, codes administration, police and fire protection, animal and infectious disease control, streets and highways and general public works, fleet maintenance, sanitation, and recreation center and library operations. The business-type activities of the City include the electric department, water department, and emergency communications district. The government-wide financial statements can be found on pages 1 through 3.

The government-wide financial statements include not only the City of LaFollette itself (the primary government), but also the legally separate component unit, the City of LaFollette Emergency Communications District.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data for the other four governmental funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining and individual fund schedules* on pages 55 through 60. The basic governmental fund financial statements can be found on pages 4 and 6.

Proprietary Funds. Enterprise funds are a type of proprietary fund used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water and wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and wastewater operations, all of which are considered to be major enterprise funds of the City. The basic proprietary fund financial statements can be found on pages 16 through 20.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 48.

Other Required Information. In addition to the basic financial statements and accompanying notes, this report also presents several schedules related to the pension plans and post-retirement benefits on pages 49 through 54 which is required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$78,522,809 at the close of the most recent fiscal year.

The largest portion of the City's net position reflects its net investment in capital assets (e.g., infrastructure, land, buildings, transmission and distribution facilities, machinery, and equipment), less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of LaFollette
Condensed Statement of Net Position
As of June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current Assets	\$ 6,207,517	\$ 5,686,973	\$ 11,066,221	\$ 10,927,025	\$ 17,273,738	\$ 16,613,998
Restricted Assets	3,150,659	2,773,209	1,728,547	3,143,554	4,879,206	5,916,763
Capital Assets, Net	10,195,738	10,540,662	104,647,276	103,086,240	114,843,014	113,626,902
Total Assets	19,553,914	19,000,844	117,442,044	117,156,819	136,995,958	136,157,663
Deferred Outflows of Resources	816,874	638,564	335,809	132,745	1,152,683	771,309
Total Assets and Deferred Outflows of Resources	\$ 20,370,788	\$ 19,639,408	\$ 117,777,853	\$ 117,289,564	\$ 138,148,641	\$ 136,928,972
Liabilities, Deferred Inflows and Net Position						
Liabilities						
Current Liabilities	\$ 867,790	\$ 912,654	\$ 11,449,412	\$ 11,712,179	\$ 12,317,202	\$ 12,624,833
Long-Term Liabilities	2,620,851	2,712,685	39,770,488	40,867,366	42,391,339	43,580,051
Total Liabilities	3,488,641	3,625,339	51,219,900	52,579,545	54,708,541	56,204,884
Deferred Inflows of Resources	4,880,665	4,403,236	36,626	42,161	4,917,291	4,445,397
Net Position						
Net Investment in Capital Assets	8,638,404	8,619,717	67,410,921	65,865,414	76,049,325	74,485,131
Restricted	750,528	646,098	0	0	750,528	646,098
Unrestricted (Deficit)	2,612,550	2,345,018	(889,594)	(1,197,556)	1,722,956	1,147,462
Total Net Position	12,001,482	11,610,833	66,521,327	64,667,858	78,522,809	76,278,691
Total Liabilities, Deferred Inflows and Net Position	\$ 20,370,788	\$ 19,639,408	\$ 117,777,853	\$ 117,289,564	\$ 138,148,641	\$ 136,928,972

Net investment in capital assets for governmental activities increased \$18,687 or approximately 0.20% in 2020 as principal repayments and purchases of new assets exceeded depreciation expense. A small portion of the City's net position (6.30%) represents resources that are subject to external restrictions on how they may be used. Restricted net position increased \$104,430 in the current fiscal year. Unrestricted net position in the governmental activities increased \$267,532 as revenues exceeded expenses. The deficit in unrestricted net position in the business-type activities decreased from \$1,197,556 to \$889,594.

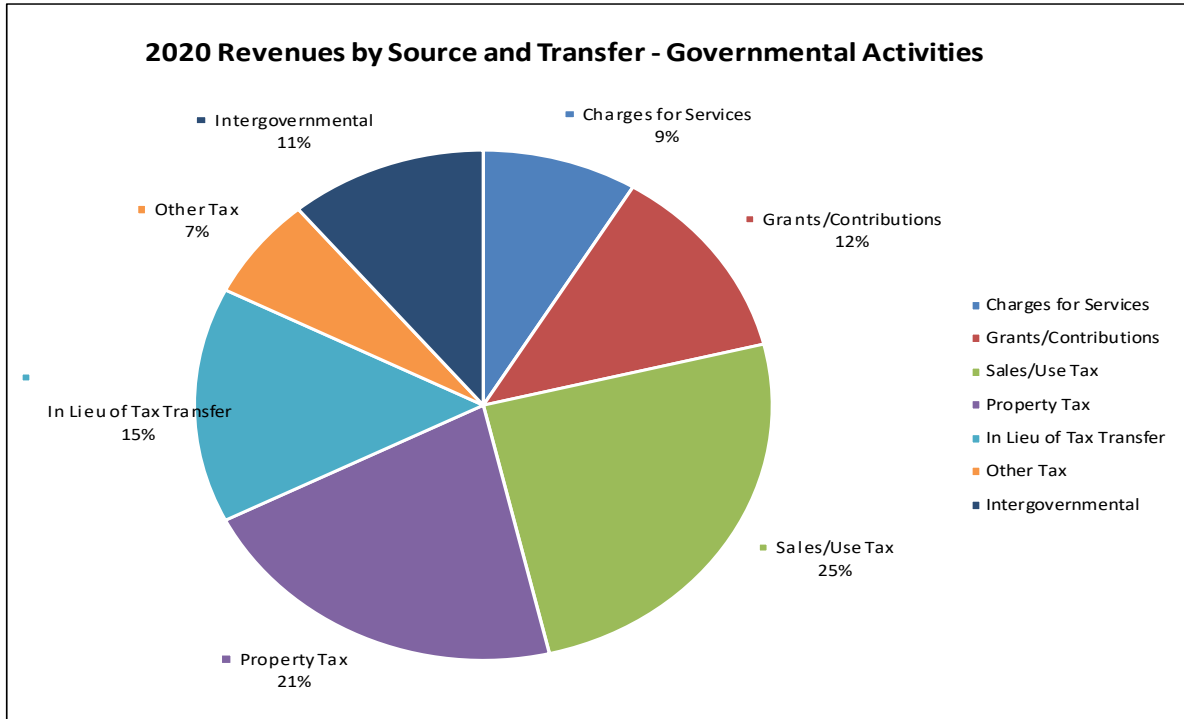
City of LaFollette
Condensed Statement of Activities
As of June 30, 2020 and 2019

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 726,432	\$ 672,421	\$ 55,148,347	\$ 57,086,934	\$ 55,874,779	\$ 57,759,355
Operating Grants and Contributions	285,101	274,050	0	0	285,101	274,050
Capital Grants and Contributions	761,111	631,808	0	0	761,111	631,808
General Revenues:						
Property Taxes	1,779,702	1,545,597	0	0	1,779,702	1,545,597
Other Taxes	2,654,242	2,506,287	0	0	2,654,242	2,506,287
Intergovernmental Revenues	926,816	919,521	0	0	926,816	919,521
Interest	52,859	48,452	70,594	142,331	123,453	190,783
Miscellaneous Other Revenues	290,955	323,522	0	0	290,955	323,522
Total Revenues	<u>7,477,218</u>	<u>6,921,658</u>	<u>55,218,941</u>	<u>57,229,265</u>	<u>62,696,159</u>	<u>64,150,923</u>
Program Expenses:						
Administration and Finance	1,414,850	1,624,413	0	0	1,414,850	1,624,413
Codes Administration	89,194	6,353	0	0	89,194	6,353
Police Protection	2,103,709	2,180,055	0	0	2,103,709	2,180,055
Fire Protection	1,709,098	1,569,108	0	0	1,709,098	1,569,108
Animal and Infectious Disease Control	6,532	87,966	0	0	6,532	87,966
Streets and Highways and General Public Works	1,893,803	1,835,104	0	0	1,893,803	1,835,104
Fleet Maintenance	91,082	91,263	0	0	91,082	91,263
Sanitation	207,097	196,971	0	0	207,097	196,971
Recreation Center and Library	769,039	761,955	0	0	769,039	761,955
Interest on Long-Term Debt	51,465	53,173	0	0	51,465	53,173
Electric Department	0	0	45,805,440	48,011,887	45,805,440	48,011,887
Water Department	0	0	6,835,732	6,703,684	6,835,732	6,703,684
Total Program Expenses	<u>8,335,869</u>	<u>8,406,361</u>	<u>52,641,172</u>	<u>54,715,571</u>	<u>60,977,041</u>	<u>63,121,932</u>
Transfers:						
In Lieu of Taxes	1,249,300	1,293,475	(1,249,300)	(1,293,475)	0	0
Capital Contributions	<u>0</u>	<u>0</u>	<u>525,000</u>	<u>0</u>	<u>525,000</u>	<u>0</u>
Change in Net Position	390,649	(191,228)	1,853,469	1,220,219	2,244,118	1,028,991
Net Position - Beginning of Year	11,610,833	11,802,061	64,667,858	63,447,639	76,278,691	75,249,700
Net Position - End of Year	<u>\$ 12,001,482</u>	<u>\$ 11,610,833</u>	<u>\$ 66,521,327</u>	<u>\$ 64,667,858</u>	<u>\$ 78,522,809</u>	<u>\$ 76,278,691</u>

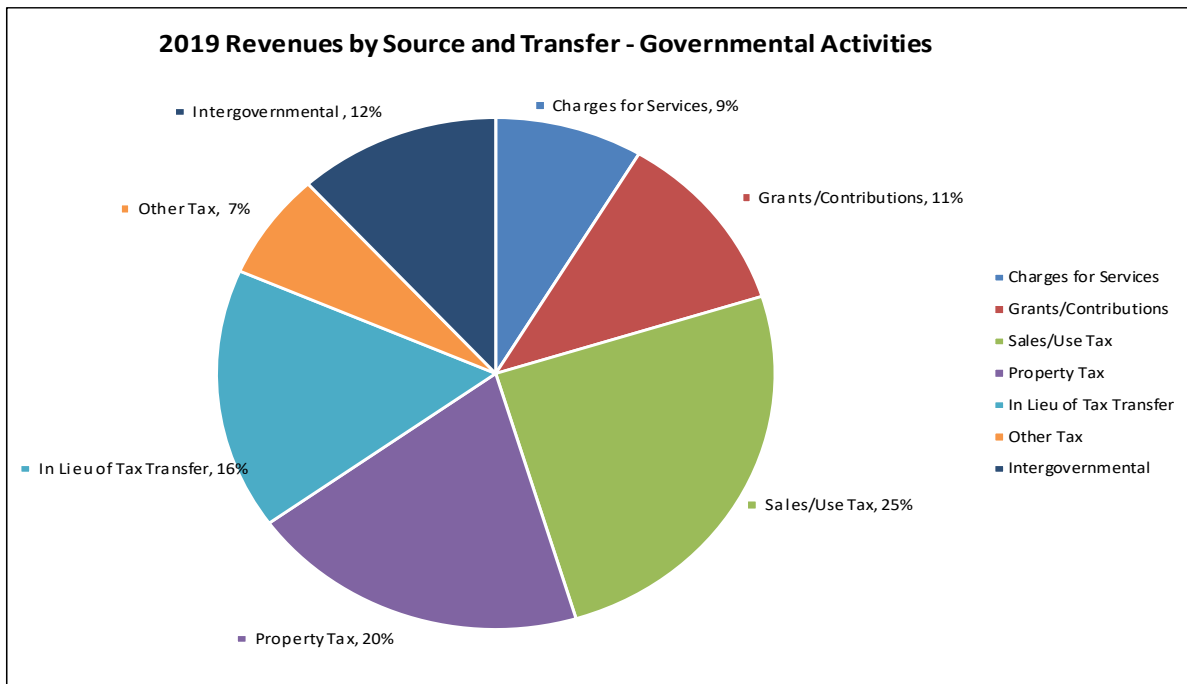
City of LaFollette's Changes in Net Position

Governmental Activities. Governmental activities increased the City's net position by \$390,649 in 2020. The decrease in net position from governmental activities in 2019 was \$191,228.

The following graphs show the revenues by source and transfers for the governmental activities (excluding interest income and other miscellaneous revenues):

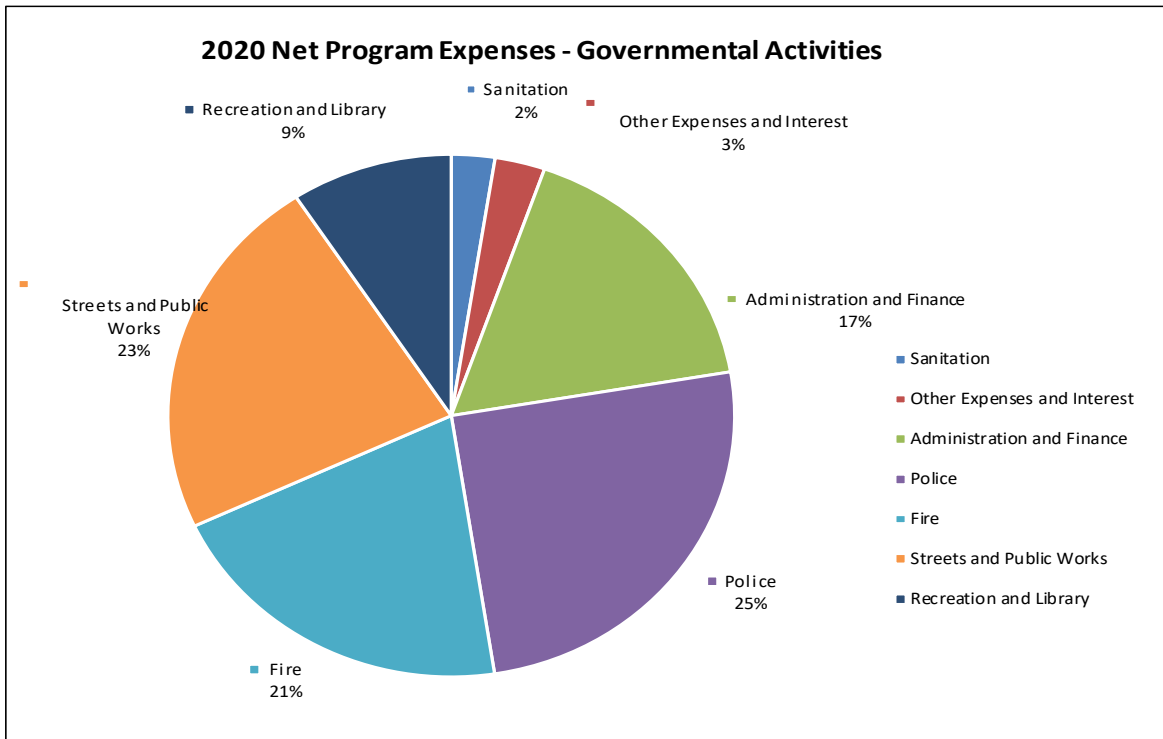


As seen in the chart above, during 2020, local sales and use taxes and property taxes (25% and 21%) represented the largest sources of revenue for the governmental activities, followed by the in lieu of tax transfer from the Electric Department 15%, intergovernmental 11%, charges for services 9%, other taxes 7%, and grants and contributions 12%.

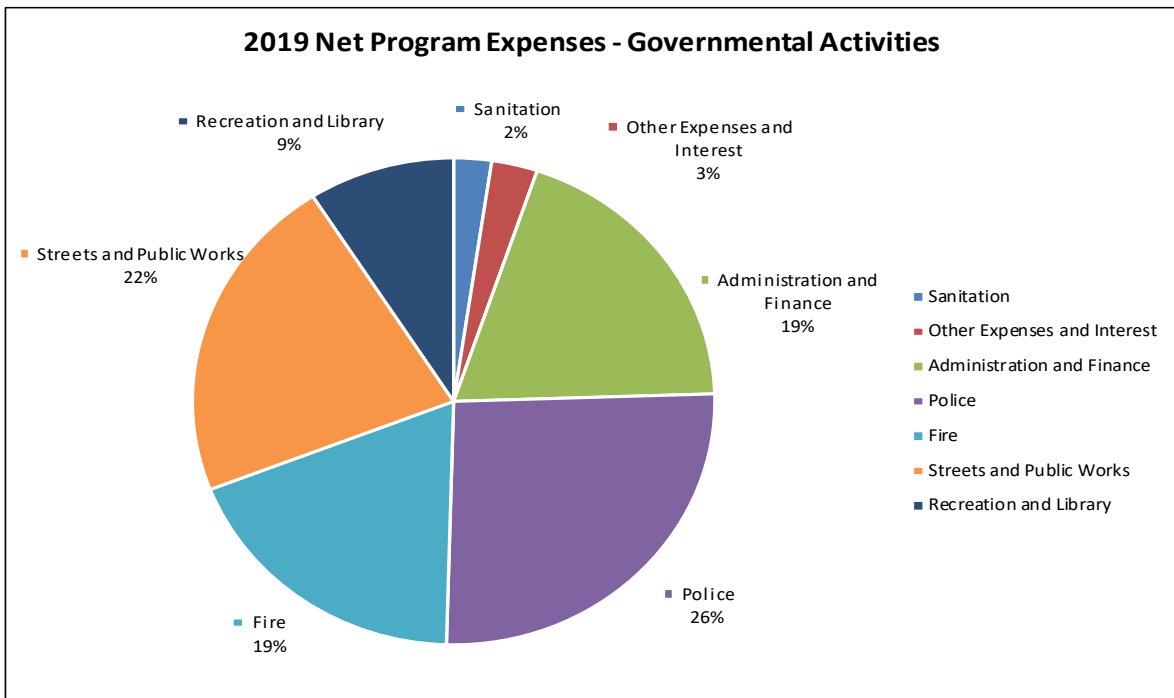


As seen in the chart above, during 2019, local sales and use taxes and property taxes (25% and 20%) represented the largest sources of revenue for the governmental activities, followed by the in lieu of tax transfer from the Electric Department 16%, intergovernmental 12%, grants and contributions 11%, charges for services 9%, and other taxes 7%.

The following graphs show the net program expenses for the governmental activities:



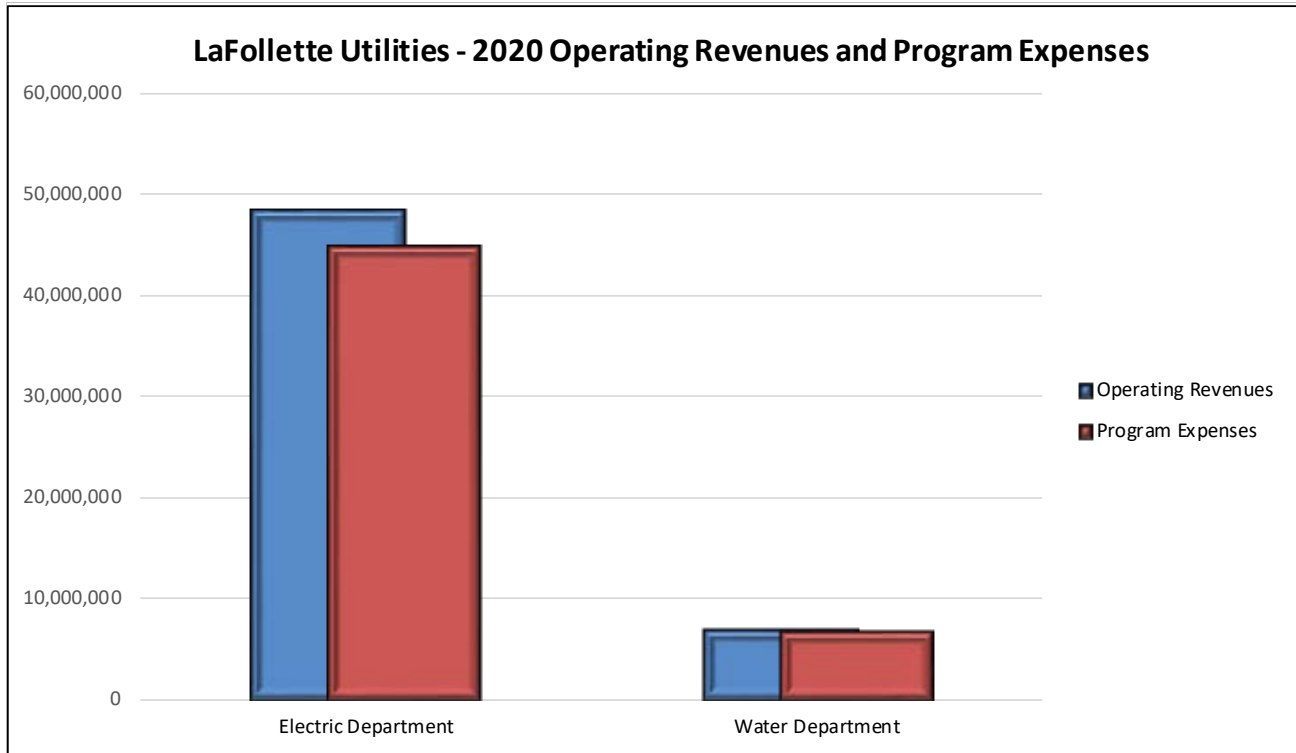
As seen in the chart above, in 2020 police protection expense comprise 25%, followed by streets and public works 23%, fire 21%, administration and finance 17%, recreation and library 9%, other expenses and interest at 3%, and sanitation 2%.



As seen in the chart above, in 2019 police protection expense comprise 26%, followed by streets and public works 22%, fire 19%, administration and finance 19%, recreation and library 9%, other expenses and interest at 3%, and sanitation 2%.

Business-Type Activities. Business-type activities increased the City’s net position by \$1,853,469 in the current year.

LaFollette Utilities, consisting of the Electric Department and the Water Department, provides electric, water, and wastewater services to customers in Campbell, Claiborne, and Union Counties. Operating revenues, consisting primarily of user charges for services rendered, exceeded program expenses for both departments, as shown in the following graph:



Discretely Presented Component Unit. Component units are legally separate organizations for which the primary government is financially accountable. The component unit for the City is City of LaFollette Emergency Communications District (the “District”). A summary of the City’s component unit follows:

District's Condensed Statement of Net Position as of June 30, 2020 and 2019

	As of June 30,	
	2020	2019
Assets		
Current Assets	\$ 582,346	\$ 786,467
Capital Assets, Net	481,401	318,800
Total Assets	<u>\$ 1,063,747</u>	<u>\$ 1,105,267</u>
Liabilities and Net Position		
Current Liabilities	\$ 1,873	\$ 8,348
Net Position:		
Investment in Capital Assets	481,401	318,800
Unrestricted	580,473	778,119
Total Net Position	<u>1,061,874</u>	<u>1,096,919</u>
Total Liabilities and Net Position	<u>\$ 1,063,747</u>	<u>\$ 1,105,267</u>

District's Condensed Statement of Activities for the Years Ended June 30, 2020 and 2019

	For the Years Ended June 30,	
	2020	2019
Operating Revenues	\$ 285,104	\$ 310,158
Operating Expenses	333,379	290,419
Operating Income	(48,275)	19,739
Nonoperating Revenues	13,230	20,323
Nonoperating Expenses	0	526
Nonoperating Income	13,230	19,797
Change in Net Position	(35,045)	39,536
Net Position - Beginning of Year	1,096,919	1,057,383
Net Position - End of Year	<u>\$ 1,061,874</u>	<u>\$ 1,096,919</u>

The District's operating revenues consist primarily of TECB distributions of surcharges and excess revenue. Operating expenses consist primarily of salaries and wages, contracted services, supplies and material, and depreciation.

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At June 30, 2020, the City's governmental funds reported combined ending fund balances of \$4,406,807, an increase of \$398,083. Approximately 84% of this total amount or \$3,688,991 constitutes unrestricted fund balances, which are available for use at the government's discretion and in accordance with appropriated budgeted amounts. The remainder of fund balance is either non-spendable, totaling \$16,695, consisting of gasoline inventory, or restricted, totaling \$701,121, to indicate that it is not available for use because it has already been restricted to the funding of activities generally in certain special revenue funds.

The general fund is the chief operating fund of the City. At June 30, 2020, unrestricted fund balance of the general fund was \$3,688,765. As a measure of the general fund's liquidity, it may be useful to compare unrestricted fund balance to total fund revenues. The Government Finance Officers Association recommends that general-purpose governments maintain unrestricted fund balances in the general fund of no less than 5% to 15% of regular general fund operating revenues. Unrestricted fund balance represents approximately 55% of total general fund revenues.

The fund balance of the City's general fund increased by \$390,452 during the current fiscal year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Electric Department and Water Department Funds at the end of the year amounted to a deficit of \$889,594. The Electric Department and Water Department continue to minimize their borrowings and use net position to fund capital assets. The total increase in net position for the Electric Department was \$1,333,247, and the total increase for the Water Department was \$520,222. Other factors concerning these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled a net increase in appropriations of \$280,921 and can be briefly summarized as follows:

- Appropriated an additional \$60,222 for administration and finance to fund additional insurance costs.
- Appropriated an additional \$107,049 primarily for fire protection repairs and maintenance, personnel costs and to fund additional capital outlay not anticipated in original budgeting.
- Appropriated an additional \$80,114 for streets and highways and general public works to fund additional capital outlay and repairs and maintenance not anticipated at the beginning of the year.

Differences between the final amended budget and actual revenues totaled a net unfavorable variance of \$4,334,411 and can be briefly summarized as follows:

- Grant revenue and contributions were less than budget by \$4,499,153 primarily due to delays in start-up of construction of the Dossett Lane Bridge Project caused by certain properties to be acquired from land owners to continue the project.

Differences between the final amended budget and actual expenditures totaled a net favorable variance of \$5,961,332 and can be briefly summarized as follows:

- Administration and finance expenditures were less than budget by \$553,142 due to appropriated expenditures budgeted but not spent.
- Police protection expenditures were less than budget by \$258,483 due to salaries and benefits and additional expenses budgeted but not spent.
- Fire protection expenditures were less than budget by \$148,282 due to salaries and benefits and additional expenses budgeted but not spent.
- Streets and highways and general public works expenditures were less than budget by \$4,893,280 primarily due to the Dossett Lane Bridge project being delayed.
- Recreation center and library expenditures were less than budgeted by \$71,387 due to appropriated expenditures budgeted but not spent.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of the current year end amounts to \$114,843,014 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land and land rights, structures and improvements, poles, towers, transmission and distribution mains, street lighting systems, distribution reservoirs and standpipes, service installations, buildings, improvements, equipment, furniture, fixtures, and vehicles. The total increase in the City's net capital assets for the current fiscal year was approximately \$1,216,112.

Major capital asset events for governmental activities during the current fiscal year include various infrastructure purchases totaling \$24,950 and building and improvement purchases totaling \$21,216.

Capital assets, net of depreciation, as of June 30, 2020 and 2019 is as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land and Land Rights	\$ 601,634	\$ 601,634	\$ 1,244,883	\$ 1,244,883	\$ 1,846,517	\$ 1,846,517
Land Improvements	951,566	951,566	0	0	951,566	951,566
Governmental Buildings and Improvements	3,611,241	3,590,025	0	0	3,611,241	3,590,025
Equipment, Furniture, and Fixtures	6,342,933	6,440,801	42,289,581	39,080,168	48,632,514	45,520,969
Infrastructure Structures and Improvements	14,838,277	14,813,327	0	0	14,838,277	14,813,327
Poles, Towers and Transmission Assets	0	0	23,363,715	22,659,102	23,363,715	22,659,102
Street Lighting Systems	0	0	88,553,013	86,598,589	88,553,013	86,598,589
Distribution Reservoirs and Standpipes	0	0	4,601,456	4,283,371	4,601,456	4,283,371
Transmission and Distribution Mains	0	0	2,465,689	2,390,701	2,465,689	2,390,701
Service Installations	0	0	30,078,371	30,071,443	30,078,371	30,071,443
Construction in Progress	736,009	327,366	7,704,612	7,486,303	7,704,612	7,486,303
Accumulated Depreciation	<u>(16,885,922)</u>	<u>(16,184,057)</u>	<u>(97,223,372)</u>	<u>(92,969,083)</u>	<u>(114,109,294)</u>	<u>(109,153,140)</u>
	<u>\$ 10,195,738</u>	<u>\$ 10,540,662</u>	<u>\$ 104,647,276</u>	<u>\$ 103,086,240</u>	<u>\$ 114,843,014</u>	<u>\$ 113,626,902</u>

Additional information on the City's capital assets can be found in Note 4 on pages 29 through 31.

Long-Term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$40,499,822. Of this amount, \$38,589,415 is owed on general obligation bonds and notes. Most of the remaining debt (\$1,616,073) represents revenue and tax bonds and notes. The City's long-term debt as of June 30, 2020 and 2019 is as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General Obligation Bonds and Notes	\$ 1,263,000	\$ 1,569,000	\$ 37,326,415	\$ 38,707,931	\$ 38,589,415	\$ 40,276,931
Revenue and Tax Bonds and Notes	0	0	1,616,073	1,649,675	1,616,073	1,649,675
Capital Lease Obligations	294,334	351,945	0	0	294,334	351,945
Total	<u>\$ 1,557,334</u>	<u>\$ 1,920,945</u>	<u>\$ 38,942,488</u>	<u>\$ 40,357,606</u>	<u>\$ 40,499,822</u>	<u>\$ 42,278,551</u>

The City's total debt decreased by \$1,778,729 during the current fiscal year as principal payments have been made.

Additional information on the City's long-term debt can be found in Note 5 on pages 31 through 36.

Next Year's Budgets

The general fund revenue estimates for next year are projected basically at a growth rate of 2%. Using this revenue estimate as a guide, the general fund budget was prepared by funding the necessary operating needs of the various departments. The City anticipates purchasing four new police vehicles with equipment, and a new mower for the Recreation Department.

The City also anticipates closing a new Capital Outlay Note in the amount of \$1,500,000 to purchase additional equipment for the departments and road and street improvements.

The Electric Department isn't expected to add very many new electric customers over the course of the next fiscal year. Capital improvement plans are being developed for projects to be completed over the next 5 fiscal years.

The Water Department is not expected to add very many new water and wastewater customers over the course of the next fiscal year. Charges for both services will be closely monitored, with changes in rates being recommended as circumstances may dictate.

No other facts, decisions, or conditions are currently known which would have a significant impact on the City's financial position or results of operations during fiscal year 2021.

Requests for Additional Information

This financial report is designed to provide a general overview of the City's financial information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of LaFollette, Office of the City Administrator, 207 South Tennessee Avenue, LaFollette, Tennessee, 37766.

The Electric Department and Water Department also issue separate audited financial statements. Additional information regarding these proprietary funds can be obtained by contacting the General Manager at 302 North Tennessee Avenue, LaFollette, Tennessee 37766. The Emergency Communication District also issues separate audited financial statements and additional information can be obtained by sending a request to the City of LaFollette, Office of the City Administrator, 207 South Tennessee Avenue, LaFollette, Tennessee 37766.

CITY OF LAFOLLETTE
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Emergency Communications District
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 3,501,613	\$ 3,299,497	\$ 6,801,110	\$ 582,346
Receivables:				
Property Taxes, Net of Allowance of \$248,500	1,892,580	0	1,892,580	0
Utility Accounts	0	6,028,885	6,028,885	0
Other Taxes and Nonexchange Revenue	349,446	0	349,446	0
Grant Receivable	167,391	0	167,391	0
Other	182,869	0	182,869	0
Materials and Supplies Inventories	16,695	1,388,351	1,405,046	0
Prepaid Items and Other Current Assets	0	349,488	349,488	0
Net Pension Asset	96,923	0	96,923	0
Total Current Assets	<u>6,207,517</u>	<u>11,066,221</u>	<u>17,273,738</u>	<u>582,346</u>
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	3,150,659	1,728,547	4,879,206	0
Total Restricted Assets	<u>3,150,659</u>	<u>1,728,547</u>	<u>4,879,206</u>	<u>0</u>
Capital Assets				
Nondepreciable Assets	1,337,643	2,814,211	4,151,854	4,000
Depreciable Assets, Net	8,858,095	101,833,065	110,691,160	477,401
Net Capital Assets	<u>10,195,738</u>	<u>104,647,276</u>	<u>114,843,014</u>	<u>481,401</u>
TOTAL ASSETS	<u>19,553,914</u>	<u>117,442,044</u>	<u>136,995,958</u>	<u>1,063,747</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Outflows	597,367	0	597,367	0
Deferred OPEB Outflows	219,507	283,604	503,111	0
Deferred Amounts on Refundings	0	52,205	52,205	0
Total Deferred Outflows of Resources	<u>816,874</u>	<u>335,809</u>	<u>1,152,683</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 20,370,788</u>	<u>\$ 117,777,853</u>	<u>\$ 138,148,641</u>	<u>\$ 1,063,747</u>

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

CITY OF LAFOLLETTE
STATEMENT OF NET POSITION (Continued)
June 30, 2020

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Emergency Communications District
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 103,850	\$ 6,053,277	\$ 6,157,127	\$ 1,873
Current Maturities of Long-Term Obligations	364,947	3,900,097	4,265,044	0
Accrued Payroll, Payroll Taxes, and Compensated Absences	376,489	667,592	1,044,081	0
Accrued Interest and Rent Payable	22,504	323,913	346,417	0
Current Portion of Customer Deposits	0	386,573	386,573	0
Current Portion of Accrued Retirement Plan Payable	0	117,960	117,960	0
Total Current Liabilities	867,790	11,449,412	12,317,202	1,873
NONCURRENT LIABILITIES				
Long-Term Obligations	1,192,387	35,042,391	36,234,778	0
Other Long-Term Liabilities:				
Accrued Retirement Plan Payable	0	382,277	382,277	0
Accrued Compensated Absences	0	1,310,521	1,310,521	0
Customer Deposits	0	2,041,422	2,041,422	0
Accrued Post-Retirement Plan (OPEB)	1,428,464	993,877	2,422,341	0
Total Noncurrent Liabilities	2,620,851	39,770,488	42,391,339	0
TOTAL LIABILITIES	3,488,641	51,219,900	54,708,541	1,873
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	1,856,514	0	1,856,514	0
Deferred Miscellaneous	150	0	150	0
Escrow for Hospital Facilities Lease	2,517,443	0	2,517,443	0
Deferred OPEB Inflows	19,072	36,626	55,698	0
Deferred Pension Inflows	487,486	0	487,486	0
TOTAL DEFERRED INFLOWS OF RESOURCES	4,880,665	36,626	4,917,291	0
NET POSITION				
Net Investment in Capital Assets	8,638,404	67,410,921	76,049,325	481,401
Restricted	750,528	0	750,528	0
Unrestricted (Deficit)	2,612,550	(889,594)	1,722,956	580,473
TOTAL NET POSITION	12,001,482	66,521,327	78,522,809	1,061,874
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 20,370,788	\$ 117,777,853	\$ 138,148,641	\$ 1,063,747

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

CITY OF LAFOLLETTE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Emergency Communications District
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
Administration and Finance	\$ 1,414,850	\$ 35,894	\$ 0	\$ 0	\$ (1,378,956)	\$ 0	\$ (1,378,956)	\$ 0
Codes Administration	89,194	9,710	0	0	(79,484)	0	(79,484)	0
Police Protection	2,103,709	210,758	14,289	0	(1,878,662)	0	(1,878,662)	0
Fire Protection	1,709,098	98,683	0	0	(1,610,415)	0	(1,610,415)	0
Animal and Infectious Disease Control	6,532	0	0	0	(6,532)	0	(6,532)	0
Streets and Highways and General Public Works	1,893,803	0	263,812	760,520	(869,471)	0	(869,471)	0
Fleet Maintenance	91,082	0	0	0	(91,082)	0	(91,082)	0
Sanitation	207,097	282,112	0	0	75,015	0	75,015	0
Recreation Center and Library	769,039	89,275	7,000	591	(672,173)	0	(672,173)	0
Interest and Administrative Fees on Long-Term Debt	51,465	0	0	0	(51,465)	0	(51,465)	0
Total Governmental Activities	<u>8,335,869</u>	<u>726,432</u>	<u>285,101</u>	<u>761,111</u>	<u>(6,563,225)</u>	<u>0</u>	<u>(6,563,225)</u>	<u>0</u>
Business-Type Activities:								
Electric Department	45,805,440	48,322,279	0	0	0	2,516,839	2,516,839	0
Water Department	6,835,732	6,826,068	0	0	0	(9,664)	(9,664)	0
Total Business-Type Activities	<u>52,641,172</u>	<u>55,148,347</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,507,175</u>	<u>2,507,175</u>	<u>0</u>
Total Primary Government	<u>\$ 60,977,041</u>	<u>\$ 55,874,779</u>	<u>\$ 285,101</u>	<u>\$ 761,111</u>	<u>(6,563,225)</u>	<u>2,507,175</u>	<u>(4,056,050)</u>	<u>0</u>
Component Unit								
Emergency Communications District	\$ 333,379	\$ 285,104	\$ 8,000	\$ 0	0	0	0	(40,275)
General Revenues:								
Taxes								
Property					1,779,702	0	1,779,702	0
Sales and Use					2,110,642	0	2,110,642	0
Wholesale Beer					291,900	0	291,900	0
Wholesale Wine					18,397	0	18,397	0
Business					137,732	0	137,732	0
Other Taxes					95,571	0	95,571	0
Intergovernmental Revenues					926,816	0	926,816	0
Interest					52,859	70,594	123,453	5,230
Miscellaneous Other Revenues					290,955	0	290,955	0
Transfers:								
In Lieu of Taxes					1,249,300	(1,249,300)	0	0
Capital Contributions:								
Contribution of Water/Wastewater Improvements					0	525,000	525,000	0
Total General Revenues and Transfers					<u>6,953,874</u>	<u>(653,706)</u>	<u>6,300,168</u>	<u>5,230</u>
Change in Net Position					390,649	1,853,469	2,244,118	(35,045)
Net Position, Beginning of Year					<u>11,610,833</u>	<u>64,667,858</u>	<u>76,278,691</u>	<u>1,096,919</u>
Net Position, End of Year					<u>\$ 12,001,482</u>	<u>\$ 66,521,327</u>	<u>\$ 78,522,809</u>	<u>\$ 1,061,874</u>

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

CITY OF LAFOLLETTE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Unrestricted Cash and Cash Equivalents	\$ 3,501,613	\$ 0	\$ 3,501,613
Restricted Cash and Cash Equivalents	2,552,709	597,950	3,150,659
Receivables			
Property Taxes, Net	1,892,580	0	1,892,580
Other Taxes and Nonexchange Revenue	325,283	24,163	349,446
Grant Receivable	167,391	0	167,391
Other Receivables	182,869	0	182,869
Materials and Supplies Inventories	16,695	0	16,695
TOTAL ASSETS	\$ 8,639,140	\$ 622,113	\$ 9,261,253
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 89,525	\$ 14,325	\$ 103,850
Accrued Payroll, Payroll Taxes and Compensated Absences	376,489	0	376,489
Total Liabilities	466,014	14,325	480,339
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	1,856,514	0	1,856,514
Miscellaneous Deferred Revenues	150	0	150
Escrow for Hospital Facilities Lease	2,517,443	0	2,517,443
Total Deferred Inflows of Resources	4,374,107	0	4,374,107
FUND BALANCES			
Non-Spendable			
General Fund			
Materials and Supplies Inventories	16,695	0	16,695
Restricted			
General Fund	93,559	0	93,559
Special Revenue Funds			
State Street Aid Fund	0	366,507	366,507
Drug Fund	0	113,011	113,011
Special Police Fund	0	128,044	128,044
Unrestricted			
Committed	259,718	226	259,944
Unassigned	3,429,047	0	3,429,047
Total Fund Balances	3,799,019	607,788	4,406,807
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,639,140	\$ 622,113	\$ 9,261,253

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

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

June 30, 2020

Total Fund Balances - Governmental Funds	\$ 4,406,807
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds balance sheet. In the statement of net position, the cost of capital assets are reflected net of accumulated depreciation. The cost of the capital assets is \$27,081,660 and the accumulated depreciation is \$16,885,922 as of year end.	10,195,738
The net pension asset of \$96,923, the deferred pension outflows of \$597,367, and the deferred pension inflows of \$487,486 do not represent current period sources or uses and, therefore, are not reported in the fund financial statements.	206,804
Accrued post-retirement plan (OPEB) liability of \$1,428,464, the deferred OPEB outflows of \$219,507 and deferred OPEB inflows of \$19,072 associated with governmental activities are not financial obligations of the current period and therefore are not reported as liabilities in the governmental funds balance sheet. In the statement of net position, the liability for accrued post-retirement healthcare is reflected.	(1,228,029)
Loans payable and accrued interest are not financial obligations of the current period and therefore are not reported as liabilities in the governmental funds balance sheet. In the statement of net position, the liability for loans payable and related accrued interest are reflected. Loans payable total \$1,557,334 and accrued interest totals \$22,504 as of year end.	<u>(1,579,838)</u>
Total Net Position - Governmental Activities	<u>\$ 12,001,482</u>

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

CITY OF LAFOLLETTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property	\$ 1,779,702	\$ 0	\$ 1,779,702
Local Sales and Use	2,110,642	0	2,110,642
Wholesale Beer & Wine	310,297	0	310,297
Business	137,732	0	137,732
Cable Television Franchise	69,985	0	69,985
Interest, Penalty and Court Costs	25,586	0	25,586
Intergovernmental Revenues	926,816	0	926,816
Charges for Services	551,281	28,081	579,362
Licenses and Permits	14,320	0	14,320
Fines, Forfeitures and Penalties	143,684	0	143,684
Grant Revenue and Contributions	249,483	526,010	775,493
State Highway and Street Funds - State Gasoline Tax	0	263,812	263,812
Miscellaneous	339,146	4,143	343,289
Total Revenues	6,658,674	822,046	7,480,720
EXPENDITURES			
Current:			
Administration and Finance	1,361,746	0	1,361,746
Codes Administration	88,899	0	88,899
Police Protection	2,153,940	41,059	2,194,999
Fire Protection	1,550,538	0	1,550,538
Animal and Infectious Disease Control	2,754	0	2,754
Streets and Highways and General Public Works	984,895	248,711	1,233,606
Fleet Maintenance	90,841	0	90,841
Sanitation	199,557	0	199,557
Engineering	4,917	0	4,917
Solid Waste Management	6,698	0	6,698
Recreation Center and Library	659,928	0	659,928
Capital Outlay:			
Sanitation	0	525,956	525,956
Debt Service:			
Principal	363,611	0	363,611
Interest and Finance Charges	47,887	0	47,887
Total Expenditures	7,516,211	815,726	8,331,937
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(857,537)	6,320	(851,217)
OTHER FINANCING SOURCES (USES)			
Transfers In	40,000	41,311	81,311
Transfers Out	(41,311)	(40,000)	(81,311)
Transfers In Lieu of Tax - Electric Department	1,249,300	0	1,249,300
Net Other Financing Sources (Uses)	1,247,989	1,311	1,249,300
CHANGES IN FUND BALANCES	390,452	7,631	398,083
FUND BALANCES - BEGINNING OF YEAR	3,408,567	600,157	4,008,724
FUND BALANCES - END OF YEAR	\$ 3,799,019	\$ 607,788	\$ 4,406,807

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

CITY OF LAFOLLETTE

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

For the Year Ended June 30, 2020

Changes in Fund Balances - Governmental Funds	\$ 398,083
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets in excess of the City's capitalization policy is capitalized and reported over their useful lives as depreciation expense.	
Current Year Capital Outlay Capitalized	540,062
Current Year Depreciation Expense on Capitalized Assets	(884,986)
Governmental funds report long-term debt borrowings as revenue and principal payments on long-term debt as expenditures. However, in the statement of activities the payments are reflected as a reduction in the liability for long-term debt. Governmental funds also report interest expense in the period it is paid. However, in the statement of activities interest expense is recorded on the accrual basis of accounting in the period to which the interest relates.	
Current Year Principal Payments Shown as Expenditures	363,611
Current Year Difference in Interest Expense Between Amounts Paid vs. Accrued	(3,578)
Governmental funds report contributions to the pension plan as expenditures. However, in the statement of activities pension expense is reflected based on the actuarially computed expense amount.	
	92,170
Expense from net Other Post Retirement Employment Benefits (OPEB) of \$54,538 is recognized in the statement of activities but does not represent a current use of resources. Current year OPEB benefit payments of \$169,251 are expenditures in the governmental funds but recognized as deferred inflows of resources in the statement of net position.	
	<u>(114,713)</u>
Change in Net Position - Governmental Activities	<u>\$ 390,649</u>

CITY OF LAFOLLETTE
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,784,200	\$ 1,784,200	\$ 1,779,702	\$ (4,498)
Local Sales and Use	1,978,000	1,978,000	2,110,642	132,642
Wholesale Beer & Wine	237,600	237,600	310,297	72,697
Business	175,000	175,000	137,732	(37,268)
Cable Television Franchise	71,000	71,000	69,985	(1,015)
Interest, Penalty and Court Costs	20,000	20,000	25,586	5,586
Intergovernmental Revenues	911,500	911,500	926,816	15,316
Charges for Services	691,150	691,150	709,285	18,135
Grant Revenue and Contributions	4,748,636	4,748,636	249,483	(4,499,153)
Miscellaneous and Rent	315,720	375,999	339,146	(36,853)
Total Revenues	10,932,806	10,993,085	6,658,674	(4,334,411)
EXPENDITURES				
Current:				
Administration and Finance	1,854,666	1,914,888	1,361,746	553,142
Codes Administration	91,726	92,616	88,899	3,717
Police Protection	2,389,866	2,412,423	2,153,940	258,483
Fire Protection	1,591,771	1,698,820	1,550,538	148,282
Animal and Infectious Disease Control	5,486	5,520	2,754	2,766
Streets and Highways and General Public Works	5,798,061	5,878,175	984,895	4,893,280
Fleet Maintenance	93,959	94,681	90,841	3,840
Sanitation	200,094	202,605	199,557	3,048
Engineering	20,000	20,000	4,917	15,083
Solid Waste Management	15,000	15,000	6,698	8,302
Recreation Center and Library	724,493	731,315	659,928	71,387
Debt Service	411,500	411,500	411,498	2
Total Expenditures	13,196,622	13,477,543	7,516,211	5,961,332
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,263,816)	(2,484,458)	(857,537)	1,626,921
OTHER FINANCING SOURCES (USES)				
Transfers In	149,400	149,400	40,000	(109,400)
Transfers Out	(30,700)	(35,863)	(41,311)	(5,448)
Transfers In Lieu of Tax-Electric Department	1,612,000	1,612,000	1,249,300	(362,700)
Total Other Financing Sources (Uses)	1,730,700	1,725,537	1,247,989	(477,548)
NET CHANGES IN FUND BALANCES	\$ (533,116)	\$ (758,921)	390,452	\$ 1,149,373
FUND BALANCES - BEGINNING OF YEAR			3,408,567	
FUND BALANCES - END OF YEAR			\$ 3,799,019	

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

CITY OF LAFOLLETTE
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Local Taxes				
Current Year Property Taxes	\$ 1,695,000	\$ 1,695,000	\$ 1,679,508	\$ (15,492)
Property Tax Discounts	(16,800)	(16,800)	(18,719)	(1,919)
Prior Years Property Taxes	106,000	106,000	118,913	12,913
Property Tax Penalties	20,000	20,000	25,586	5,586
Local Option Sales Taxes	1,978,000	1,978,000	2,110,642	132,642
Wholesale Beer Taxes	225,000	225,000	291,900	66,900
Wholesale Wine Taxes	12,600	12,600	18,397	5,797
Business Taxes	175,000	175,000	137,732	(37,268)
Cable TV Franchise Taxes	71,000	71,000	69,985	(1,015)
Total Local Taxes	4,265,800	4,265,800	4,433,944	168,144
Intergovernmental				
Housing Authority	42,000	42,000	43,931	1,931
TVA - In Lieu of Taxes	88,000	88,000	91,868	3,868
State Sales Tax	650,000	650,000	675,275	25,275
State Income Tax	22,700	22,700	4,703	(17,997)
State Beer Tax	12,000	12,000	13,712	1,712
State Gas Inspection	14,800	14,800	14,803	3
State - Other Revenue	35,000	35,000	35,739	739
State Corporate Excise Tax	47,000	47,000	46,785	(215)
Total Intergovernmental	911,500	911,500	926,816	15,316
Charges for Services				
Commissions-State	500	500	294	(206)
Fees and Commissions	36,800	36,800	32,800	(4,000)
Special Police Services Fees	46,000	46,000	46,319	319
Special Fire Protection Fees	88,400	88,400	98,683	10,283
Accident Report Fee	600	600	960	360
Sex Offenders Registration Fee	1,100	1,100	750	(350)
Other Public Safety Charges	50	50	88	38
Refuse Collection Fees	285,000	285,000	282,112	(2,888)
Facility Rentals	51,700	51,700	53,595	1,895
Other Culture - Recreation	34,100	34,100	35,680	1,580
Total Charges for Services	544,250	544,250	551,281	7,031

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

CITY OF LAFOLLETTE
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Licenses and Permits				
Beer Licenses	\$ 3,100	\$ 3,100	\$ 2,800	\$ (300)
Building Permits	5,000	5,000	9,421	4,421
Wine Licenses	1,000	1,000	1,000	0
Taxicab Licenses	1,100	1,100	810	(290)
Other Permits	100	100	289	189
Total Licenses and Permits	10,300	10,300	14,320	4,020
Fines, Forfeitures and Penalties				
City Court Fines	88,000	88,000	94,688	6,688
County Court Fines	38,500	38,500	38,963	463
Fines & Forfeits	9,100	9,100	9,125	25
City Litigation Tax	1,000	1,000	908	(92)
Total Fines, Forfeitures and Penalties	136,600	136,600	143,684	7,084
Grant Revenue and Contributions				
Grant Revenue - Other General Government	1,564,731	1,564,731	136,509	(1,428,222)
Grant Revenue - Highway & Street	3,175,525	3,175,525	105,135	(3,070,390)
Grant Revenue - Police	8,380	8,380	7,839	(541)
Total Grant Revenue and Contributions	4,748,636	4,748,636	249,483	(4,499,153)
Miscellaneous Revenue				
Interest Income	23,000	23,000	48,716	25,716
Rent Income	10,000	10,000	6,000	(4,000)
Sales of Surplus Items	15,000	15,000	8,615	(6,385)
Insurance Proceeds	12,000	60,284	66,331	6,047
Sale of Gas	222,000	222,000	155,102	(66,898)
Recreation Donations	9,000	9,000	11,400	2,400
Fire Department Donations	700	9,695	9,745	50
Library Building Donations	3,500	3,500	4,490	990
Flea Market Revenue	4,800	4,800	3,218	(1,582)
Miscellaneous Revenue	8,520	11,520	13,974	2,454
RV Revenue	7,200	7,200	11,555	4,355
Total Miscellaneous Revenue	315,720	375,999	339,146	(36,853)
Total Revenues	10,932,806	10,993,085	6,658,674	(4,334,411)

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

CITY OF LAFOLLETTE
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES				
Administration and Finance				
Legislative Board				
Personnel Costs	\$ 24,544	\$ 24,544	\$ 24,649	\$ (105)
Contributions	4,000	4,000	4,000	0
Utilities	800	800	600	200
Travel	9,200	9,200	1,903	7,297
Total Legislative Board	38,544	38,544	31,152	7,392
Legislative Committee (Beer Board)	1,800	1,800	1,600	200
City Court	15,600	15,600	15,600	0
Mayor				
Personnel Costs	12,573	12,573	11,186	1,387
Contributions	1,000	1,000	1,000	0
Utilities	1,000	1,000	514	486
Travel	3,900	3,900	2,172	1,728
Total Mayor	18,473	18,473	14,872	3,601
City Attorney	16,100	16,100	13,702	2,398
City Administrator				
Personnel Costs	81,290	81,290	80,537	753
Memberships and Publicity	300	300	0	300
Utilities	1,200	1,200	1,320	(120)
Repair and Maintenance	500	500	104	396
Travel	7,500	7,500	2,365	5,135
Other Contracted Services	500	500	408	92
Motor Vehicle Supplies	2,300	2,300	774	1,526
Capital Outlay	1,000	1,000	0	1,000
Total City Administrator	94,590	94,590	85,508	9,082
Audit and Accounting	62,400	62,400	58,100	4,300
City Clerk				
Personnel Costs	128,697	128,697	124,724	3,973
Memberships	300	300	386	(86)
Travel	3,500	3,500	915	2,585
Total City Clerk	132,497	132,497	126,850	5,647
Financial Administration				
Personnel Costs	168,506	168,506	164,921	3,585
Travel	2,700	2,700	308	2,392
Total Financial Administration	171,206	171,206	165,229	5,977

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

CITY OF LAFOLLETTE
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Data Processing	\$ 33,000	\$ 33,000	\$ 30,922	\$ 2,078
Planning and Zoning	1,800	1,800	1,200	600
City Hall Buildings				
Personnel Costs	20,023	20,023	22,851	(2,828)
Utilities	48,000	48,000	40,972	7,028
Repair and Maintenance	9,500	9,500	9,180	320
Other Contracted Services	7,000	7,000	2,980	4,020
Supplies	6,200	6,200	4,756	1,444
Motor Vehicle Supplies	150	150	100	50
Total City Hall Buildings	<u>90,723</u>	<u>90,873</u>	<u>80,839</u>	<u>10,034</u>
Other General Government				
Workman's Compensation	162,000	162,000	135,101	26,899
Personnel Costs	163,783	171,071	158,005	13,066
Postage	5,000	5,000	5,422	(422)
Printing	2,000	2,000	1,127	873
Publications and Memberships	27,000	27,000	27,837	(837)
Professional Services	1,000	1,000	0	1,000
Utilities	11,600	11,600	12,143	(543)
Meals and Entertainment	8,000	8,000	7,882	118
Other Contracted Services	32,500	33,500	34,076	(576)
Motor Vehicle Supplies	197,000	197,000	133,673	63,327
Operating Supplies	11,800	12,800	9,025	3,775
Insurance	178,500	226,784	201,215	25,569
Awards	800	800	0	800
Contributions	373,950	373,950	7,250	366,700
Capital Outlay	3,000	5,500	3,416	2,084
Total Other General Government	<u>1,177,933</u>	<u>1,238,005</u>	<u>736,172</u>	<u>501,833</u>
Total Administration and Finance	<u>1,854,666</u>	<u>1,914,888</u>	<u>1,361,746</u>	<u>553,142</u>
Codes Administration				
Personnel Costs	64,259	65,149	65,118	31
Subscriptions and Memberships	2,800	2,800	3,585	(785)
Travel	3,500	3,500	2,178	1,322
Other Contractual Services	6,467	6,467	7,988	(1,521)
Operating Supplies	4,350	4,350	3,800	550
Motor Vehicle Supplies	5,650	5,650	3,904	1,746
Total Codes Administration	<u>91,726</u>	<u>92,616</u>	<u>88,899</u>	<u>3,717</u>

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

CITY OF LAFOLLETTE
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Police Protection				
Personnel Costs	\$ 1,959,065	\$ 1,981,622	\$ 1,786,275	\$ 195,347
Vehicle Tow-In Service	750	750	300	450
Printing	3,500	3,500	3,251	249
Utilities	34,000	34,000	34,099	(99)
Professional Services	3,600	3,600	0	3,600
Repair and Maintenance	20,500	20,500	25,759	(5,259)
Travel	12,000	12,000	8,329	3,671
Other Contractual Services	52,350	52,350	37,095	15,255
Operating Supplies	41,300	41,300	31,450	9,850
Motor Vehicle Supplies	96,000	96,000	61,853	34,147
Memberships	650	650	1,090	(440)
Capital Outlay	166,151	166,151	164,439	1,712
Total Police Protection	<u>2,389,866</u>	<u>2,412,423</u>	<u>2,153,940</u>	<u>258,483</u>
Fire Protection				
Personnel Costs	1,460,334	1,505,288	1,392,025	113,263
Vehicle Tow-In Service	1,000	1,000	300	700
Memberships	150	150	204	(54)
Utilities	17,600	17,600	15,235	2,365
Repair and Maintenance	24,500	77,600	67,621	9,979
Travel	3,000	3,000	1,278	1,722
Other Contractual Services	10,000	10,000	8,706	1,294
Operating Supplies	46,487	46,487	22,815	23,672
Motor Vehicle Supplies	28,000	28,000	20,760	7,240
Capital Outlay	700	9,695	21,594	(11,899)
Total Fire Protection	<u>1,591,771</u>	<u>1,698,820</u>	<u>1,550,538</u>	<u>148,282</u>
Animal and Infectious Disease Control				
Personnel Costs	2,736	2,770	2,680	90
Utilities	0	0	0	0
Repair and Maintenance	0	0	0	0
Travel	0	0	0	0
Other Contractual Services	1,200	1,200	74	1,126
Operating Supplies	1,050	1,050	0	1,050
Motor Vehicle Supplies	0	0	0	0
Capital Outlay	500	500	0	500
Total Animal and Infectious Disease Control	<u>5,486</u>	<u>5,520</u>	<u>2,754</u>	<u>2,766</u>

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

CITY OF LAFOLLETTE
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Streets and Highways and General Public Works				
Personnel Costs	\$ 568,586	\$ 575,591	\$ 564,592	\$ 10,999
Postage	150	150	10	140
Operating Supplies	42,200	42,200	42,735	(535)
Motor Vehicle Supplies	35,000	35,000	24,934	10,066
Utilities	23,200	23,200	22,326	874
Repair and Maintenance	11,000	11,000	11,219	(219)
Capital Outlay	5,108,925	5,182,034	311,399	4,870,635
Miscellaneous	9,000	9,000	7,680	1,320
Total Highways and Streets	5,798,061	5,878,175	984,895	4,893,280
Total Streets and Highways and General Public Works	5,798,061	5,878,175	984,895	4,893,280
Fleet Maintenance				
Personnel Costs	56,109	56,831	56,080	751
Vehicle Tow-In Services	350	350	180	170
Repair and Maintenance	16,000	16,000	15,999	1
Operating Supplies	2,500	2,500	2,963	(463)
Motor Vehicle Supplies	19,000	19,000	15,619	3,381
Total Fleet Maintenance	93,959	94,681	90,841	3,840
Sanitation				
Personnel Costs	190,594	193,105	194,787	(1,682)
Motor Vehicle Supplies	9,500	9,500	4,770	4,730
Total Sanitation	200,094	202,605	199,557	3,048
Engineering Department				
Total Engineering	20,000	20,000	4,917	15,083
Solid Waste Management				
Repair and Maintenance - Vehicle	2,000	2,000	0	2,000
Other	13,000	13,000	6,698	6,302
Total Solid Waste Management	15,000	15,000	6,698	8,302

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

CITY OF LAFOLLETTE
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Recreation Center and Library				
Recreation Center				
Personnel Costs	\$ 401,207	\$ 406,967	\$ 370,098	\$ 36,869
Memberships	200	200	0	200
Utilities	98,200	98,200	87,744	10,456
Repair and Maintenance	37,800	37,800	33,343	4,457
Travel	500	500	0	500
Other Contractual Services	25,500	25,500	30,167	(4,667)
Operating Supplies	45,170	45,170	27,603	17,567
Motor Vehicle Supplies	11,500	11,500	6,802	4,698
Contributions	250	250	0	250
Capital Outlay	1,500	1,500	6,189	(4,689)
Total Recreation Center	621,827	627,587	561,946	65,641
Library				
Personnel Costs	69,639	70,701	73,604	(2,903)
Utilities	20,500	20,500	16,876	3,624
Travel	750	750	388	362
Other Contractual Services	3,500	3,500	3,486	14
Operating Supplies	5,350	5,350	2,740	2,610
Repairs and Maintenance	700	700	0	700
Capital Outlay	2,227	2,227	888	1,339
Total Library	102,666	103,728	97,982	5,746
Total Recreation Center and Library	724,493	731,315	659,928	71,387
Debt Service				
Principal Payments	363,611	363,611	363,611	0
Interest and Finance Charges	47,889	47,889	47,887	2
Total Debt Service	411,500	411,500	411,498	2
Total Expenditures	13,196,622	13,477,543	7,516,211	5,961,332
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,263,816)	(2,484,458)	(857,537)	1,626,921
Other Financing Sources (Uses)				
Transfers In	149,400	149,400	40,000	(109,400)
Transfers Out	(30,700)	(35,863)	(41,311)	(5,448)
Transfers In Lieu of Tax-Electric Department	1,612,000	1,612,000	1,249,300	(362,700)
Total Other Financing Sources (Uses)	1,730,700	1,725,537	1,247,989	(477,548)
Net Change in Fund Balances	(533,116)	(758,921)	390,452	1,149,373
Fund Balance at Beginning of Year	3,408,567	3,408,567	3,408,567	0
Fund Balance at End of Year	\$ 2,875,451	\$ 2,649,646	\$ 3,799,019	\$ 1,149,373

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

CITY OF LAFOLLETTE
BALANCE SHEET - PROPRIETARY FUNDS
June 30, 2020

	Enterprise Funds		
	Electric Department	Water Department	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,949,111	\$ 350,386	\$ 3,299,497
Utility Accounts Receivable, Net	4,762,583	1,266,302	6,028,885
Materials and Supplies Inventories	1,264,885	123,466	1,388,351
Prepaid Items and Other Current Assets	349,488	0	349,488
Total Current Assets	9,326,067	1,740,154	11,066,221
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	1,728,547	0	1,728,547
Total Restricted Assets	1,728,547	0	1,728,547
Capital Assets			
Nondepreciable Assets:			
Land and Land Rights	1,075,346	169,537	1,244,883
Construction Work in Progress	1,169,381	399,947	1,569,328
Total Nondepreciable Assets	2,244,727	569,484	2,814,211
Depreciable Assets:			
Structures and Improvements	5,198,133	18,165,582	23,363,715
Poles, Towers and Transmission Assets	88,553,013	0	88,553,013
Street Lighting Systems	4,601,456	0	4,601,456
Distribution Reservoir and Standpipes	0	2,465,689	2,465,689
Transmission and Distribution Mains	0	30,078,371	30,078,371
Service Installations	0	7,704,612	7,704,612
Equipment, Furniture and Fixtures	33,883,106	8,406,475	42,289,581
Total Depreciable Assets	132,235,708	66,820,729	199,056,437
Less Accumulated Depreciation	(64,053,555)	(33,169,817)	(97,223,372)
Net Depreciable Assets	68,182,153	33,650,912	101,833,065
Net Capital Assets	70,426,880	34,220,396	104,647,276
Total Noncurrent Assets	72,155,427	34,220,396	106,375,823
TOTAL ASSETS	81,481,494	35,960,550	117,442,044
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Bond Refunding Losses	52,205	0	52,205
Deferred Outflows - Other Postemployment Benefits (OPEB)	205,553	78,051	283,604
Total Deferred Outflows of Resources	257,758	78,051	335,809
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 81,739,252	\$ 36,038,601	\$ 117,777,853

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

CITY OF LAFOLLETTE
BALANCE SHEET - PROPRIETARY FUNDS (Continued)
June 30, 2020

	Enterprise Funds		
	Electric Department	Water Department	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 5,712,833	\$ 340,444	\$ 6,053,277
Current Maturities of Long-Term Debt	3,170,000	730,097	3,900,097
Current Portion of Accrued Compensated Absences	435,619	231,973	667,592
Accrued Interest Payable	323,913	0	323,913
Current Portion of Customer Deposits	386,573	0	386,573
Current Portion of Accrued Retirement Plan Payable	82,952	35,008	117,960
Total Current Liabilities	10,111,890	1,337,522	11,449,412
NONCURRENT LIABILITIES			
Long-Term Debt, Net	27,619,579	7,422,812	35,042,391
Accrued Retirement Plan Payable - Long-Term	299,106	83,171	382,277
Accrued Compensated Absences - Long-Term	813,948	496,573	1,310,521
Customer Deposits - Long-Term	2,041,422	0	2,041,422
Accrued Post-Retirement Plan (OPEB) Liability	695,714	298,163	993,877
Total Noncurrent Liabilities	31,469,769	8,300,719	39,770,488
Total Liabilities	41,581,659	9,638,241	51,219,900
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows - OPEB	9,233	27,393	36,626
NET POSITION			
Net Investment in Capital Assets	41,343,434	26,067,487	67,410,921
Unrestricted (Deficit)	(1,195,074)	305,480	(889,594)
Total Net Position	40,148,360	26,372,967	66,521,327
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 81,739,252	\$ 36,038,601	\$ 117,777,853

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

CITY OF LAFOLLETTE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Enterprise Funds		Total
	Electric Department	Water Department	
OPERATING REVENUES			
Charges for Services	\$ 47,001,814	\$ 6,646,730	\$ 53,648,544
Other	1,320,465	179,338	1,499,803
Total Operating Revenues	<u>48,322,279</u>	<u>6,826,068</u>	<u>55,148,347</u>
OPERATING EXPENSES			
Purchased Power	31,187,076	0	31,187,076
Water Purchased	0	1,942,372	1,942,372
Wastewater System	0	850,800	850,800
Distribution, Customer Accounts and Sales Expenses	3,456,107	439,106	3,895,213
Maintenance of Plant and Systems	2,283,563	0	2,283,563
General and Administrative	3,472,236	1,803,893	5,276,129
Depreciation	3,705,541	1,629,114	5,334,655
Taxes	679,828	0	679,828
Total Operating Expenses	<u>44,784,351</u>	<u>6,665,285</u>	<u>51,449,636</u>
OPERATING INCOME	<u>3,537,928</u>	<u>160,783</u>	<u>3,698,711</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and Dividend Income	65,708	4,886	70,594
Gain on Investments, Net	425	0	425
Interest Expense	(861,564)	(144,179)	(1,005,743)
Debt Issuance Costs	(159,950)	(26,268)	(186,218)
Total Nonoperating (Expenses)	<u>(955,381)</u>	<u>(165,561)</u>	<u>(1,120,942)</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	2,582,547	(4,778)	2,577,769
CAPITAL CONTRIBUTIONS	0	525,000	525,000
TRANSFERS TO CITY OF LAFOLLETTE - IN LIEU OF TAXES	<u>(1,249,300)</u>	<u>0</u>	<u>(1,249,300)</u>
CHANGE IN NET POSITION	1,333,247	520,222	1,853,469
TOTAL NET POSITION, BEGINNING OF YEAR	<u>38,815,113</u>	<u>25,852,745</u>	<u>64,667,858</u>
NET POSITION - END OF YEAR	<u>\$ 40,148,360</u>	<u>\$ 26,372,967</u>	<u>\$ 66,521,327</u>

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

CITY OF LAFOLLETTE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Enterprise Funds		
	Electric Department	Water Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 47,404,582	\$ 6,510,642	\$ 53,915,224
Cash Receipts from Other Operations	1,320,465	179,338	1,499,803
Cash Paid to Employees	(7,678,135)	(3,237,492)	(10,915,627)
Cash Paid to Suppliers	(33,247,478)	(1,714,193)	(34,961,671)
Cash Payments for Taxes and Other Operations	(679,828)	0	(679,828)
Net Cash Provided by Operating Activities	7,119,606	1,738,295	8,857,901
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to City of LaFollette - In Lieu of Taxes	(1,249,300)	0	(1,249,300)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Plant Additions and Construction	(5,305,688)	(1,109,389)	(6,415,077)
Plant and Equipment Removal Costs, Net	24,511	19,875	44,386
Decrease in Restricted Cash	915,432	0	915,432
Repayments on Long-Term Debt	(3,020,000)	(725,653)	(3,745,653)
Cash Proceeds from Long-Term Debt Borrowing, Net	2,259,575	0	2,259,575
Interest on Long-Term Debt	(784,721)	(129,856)	(914,577)
Net Cash Used in Capital and Related Financing Activities	(5,910,891)	(1,945,023)	(7,855,914)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales and Maturities of Investments	500,000	0	500,000
Interest on Cash and Cash Equivalents	65,708	4,886	70,594
Net Cash Provided by Investing Activities	565,708	4,886	570,594
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	525,123	(201,842)	323,281
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,423,988	552,228	2,976,216
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,949,111	\$ 350,386	\$ 3,299,497

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

CITY OF LAFOLLETTE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2020

	Enterprise Funds		
	Electric Department	Water Department	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income	\$ 3,537,928	\$ 160,783	\$ 3,698,711
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used In) Operating Activities:			
Depreciation (Net of Capitalized Depreciation of \$42,378 and \$81,919, Respectively)	3,705,541	1,629,114	5,334,655
Changes in Assets and Liabilities:			
(Increase) Decrease in Utility Accounts Receivable	291,562	(136,088)	155,474
(Increase) Decrease in Materials and Supplies Inventory	39,900	(3,975)	35,925
Increase in Prepaid Items and Other Current Assets	(7,314)	0	(7,314)
Increase in Deferred OPEB Outflows	(163,071)	(71,318)	(234,389)
Increase in Customer Deposits	111,206	0	111,206
Increase (Decrease) in Accounts Payable	(686,919)	85,839	(601,080)
Increase in OPEB Liability	187,947	80,549	268,496
Increase in Accrued Compensated Absences	187,226	32,395	219,621
Decrease in Deferred OPEB Inflows	(1,539)	(3,996)	(5,535)
Decrease in Accrued Retirement Plan Payable	(82,861)	(35,008)	(117,869)
Total Adjustments	3,581,678	1,577,512	5,159,190
Net Cash Provided by Operating Activities	\$ 7,119,606	\$ 1,738,295	\$ 8,857,901
Supplementary Schedule of Noncash Capital and Related Financing Activities			
Amortization of Bond Premium	\$ 105,765	\$ 9,493	\$ 115,258
Contributed Capital Assets	\$ 0	\$ 525,000	\$ 525,000
Amortization of Deferred Amount on Refunding	\$ (31,325)	\$ 0	\$ (31,325)
Bonds Issued to Refund Previously Issued Loans	\$ 10,914,312	\$ 1,910,688	\$ 12,825,000
Debt Issuance Costs on Bonds Issued	\$ 159,950	\$ 26,268	\$ 186,218
Gain (Loss) on Investments	\$ 425	\$ 0	\$ 425

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

CITY OF LAFOLLETTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of LaFollette (the "City") is a primary government entity governed by an elected city council consisting of the mayor and four council members. The accompanying financial statements present the primary government and its discretely presented component unit, which is included because of the significance of its operational and financial relationship with the City. The component unit is reported in a separate column to emphasize that it is legally separate from the City.

Discretely Presented Component Unit - The City of LaFollette Emergency Communications District (the "District") provides local emergency telephone service and a primary emergency telephone number for the residents and businesses of the City of LaFollette. The District accounts for its operations as an enterprise fund. It is governed by an eight-member Board of Directors (the Board) appointed by the City Council of the City of LaFollette. A complete set of financial statements for the component unit may be obtained from the Finance Director of the City of LaFollette.

The accounting and reporting policies of the City relating to the accounts included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments (GAAP). Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Government Units*. All applicable GASB Statements have been implemented.

Government-Wide Statements - The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The Statement of Net Position presents the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net Investment In Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This net position is available for current use by the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

GOVERNMENTAL FUND TYPES

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds - Capital projects funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by the enterprise funds.

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City of LaFollette - Board of Public Utilities (the Board) is a political subdivision of the City of LaFollette, Tennessee. The Board is comprised of the Electric Department and the Water Department, which are reported as separate enterprise funds of the City. The Electric Department operates under a board of commissioners and services the majority of Campbell County and portions of Claiborne and Union Counties. The Electric Department purchases its entire supply of electrical power from the Tennessee Valley Authority (TVA) under the terms of an all-requirements contract with a 10-year rolling termination date. The Water Department operates under a board of commissioners and provides water and wastewater services to the City of LaFollette and portions of Campbell and Claiborne Counties.

Fund Balance Classifications - GAAP establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. These classifications are defined as follows:

Nonspendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. These amounts include inventories and prepaid items.

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

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

Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council, the City's highest level of decision-making authority. The distinction between restricted and committed fund balances is the source and strength of the constraints placed on them.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Fund Balance - includes amounts that the City intends to use for a specific purpose, but for which the use is not legislatively mandated. City Council is the authorized body to make assignments.

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

When committed, assigned or unassigned fund balance amounts are available for use, it is the City's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance, as they are needed.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when it becomes susceptible to accrual (measurable and available):

- A. Revenue considered susceptible to accrual includes: property taxes, shared revenues, licenses, interest and charges for services (collected within sixty days after year-end).
- B. Interest and principal on general long-term debt indebtedness is not accrued but is recorded as an expenditure on its due date.
- C. Disbursements for purchase of capital assets providing future benefits are considered expenditures; bond proceeds are reported as other financing sources.
- D. Other tax and nonexchange revenue receivable includes local and state sales taxes, local beer tax, state income tax, and state gasoline and motor fuel tax. Certain other nonexchange transaction revenue is not recognized due to immateriality and not being susceptible to accrual.

The City's proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The City reports the following major governmental fund: The General Fund which is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds: Electric Department Fund and Water Department Fund.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's electric, water and wastewater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Cash and Cash Equivalents - Cash and cash equivalents consist of certificates of deposit, money market investment accounts and other temporary investments (including restricted cash) maturing within 90 days of original purchase.

Property Taxes - The City's property taxes are levied each October 1 on the assessed value as of the prior January 1 for all real and personal property located in the City. Assessed values are established by the State of Tennessee at the following rates of assumed market value:

- 1. Public Utility Property - 55% (railroads - 40%)
- 2. Industrial and Commercial Property
 - a. Real - 40%
 - b. Personal - 30%
- 3. Residential Property - 25%

Deferred Property Taxes - Property taxes for 2020 are recognized as an enforceable legal claim as of January 1, 2020. However, the revenue, net of estimated refunds and estimated uncollectible amounts, is recognized in the year in which the taxes are levied, which occurs on October 1 of each year and therefore is deferred until the following fiscal year.

Capital Assets - Governmental Funds - Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 is met. Depreciation on capital assets has been recorded using their estimated useful lives and the straight-line method. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Estimated useful lives of governmental funds' capital assets are as follows:

Land Improvements	10 - 17 years
Buildings and Improvements	25 - 50 years
Equipment	5 - 12 years
Vehicles	3 - 20 years
Infrastructure	15 - 50 years

Compensated Absences - The City records earned, but unused, vacation pay as a compensated absences liability. It is also the City's policy to allow governmental fund employees to be paid for accumulated sick leave upon retirement up to a maximum of 520 hours. In accordance with GAAP, a liability has been accrued for sick leave amounts that management has determined are earned and probable of being paid in the future, using the termination payment method. The amount of compensated absences due within one year on the balance sheet has been estimated based on prior years' experience.

Budgetary Principles - Governmental Funds - Prior to the beginning of the fiscal year, the City Council approves an operating budget for all governmental funds and holds public hearings. All supplemental appropriations must also be approved by City Council. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level.

Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred to encumbrances.

The City prepares its budget in accordance with the modified accrual basis of accounting, which is consistent with GAAP.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Presentation of Certain Taxes - The City collects various taxes from customers and remits these amounts to applicable taxing authorities. The City's accounting policy is to exclude these taxes from revenues and cost of sales.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City's governmental funds' deferred outflows of resources consist of deferred pension outflows and the business-type activities' deferred outflows of resources consist of deferred OPEB outflows and deferred bond refunding losses. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City's governmental activities' deferred inflows of resources consist of deferred property taxes (see explanation above), deferred pension inflows, deferred OPEB inflows and escrow for the hospital facilities lease (see Note 12).

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

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

Evaluation of Subsequent Events - Management has evaluated subsequent events through , 2020, which is the date the financial statements were available to be issued. See Note 14 on subsequent events.

Electric Department - Additional Significant Accounting Policies

Related Party and Interfund Activities - For economic purposes and convenience, certain expenses incurred by the Board are incurred jointly between the Electric Department and the Water Department. The joint expenses are incurred for the use of the building, management, customer services, meter reading / service technicians, sharing of transportation vehicles, office personnel, equipment, etc. For the year ended June 30, 2020, expenses of the Electric Department and Water Department that cannot be directly attributed to the operations of each Department are allocated on a pro-rata basis based on the following:

	<u>Electric</u>	<u>Water</u>
Customer Ratio	69%	31%
Adjusted Customer Ratio	77%	23%
Equivalent Employee Ratio	70%	30%
Building	85%	15%
Meter Reading	43%	57%

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Electric Department - Additional Significant Accounting Policies (Continued)

Additionally, the Electric Department bills and collects water and wastewater charges for the Water Department. These funds are periodically transferred to the Water Department. Accounts receivable and payable between the Electric Department and Water Department represent operating cash advances related to the transfer of these funds and the allocation of expenses mentioned above. These receivables and payables are included on the balance sheet within Accounts Receivable - Customers, Net and Accounts Payable. As of June 30, 2020, balances due from the Electric Department to the Water Department were \$336,625.

Utility Plant - Utility plant and construction work in progress are stated at cost. Interest costs associated with long-term construction projects are capitalized. Donated assets are valued at their estimated fair value on the date donated. The Electric Department defines a capital asset as an asset with an initial individual cost or a project with a cumulative total cost of more than \$2,500 and estimated useful life in excess of one year. Major renewals and improvements are charged to the plant account while replacements, maintenance, and repairs, which do not improve or extend the life of the assets, are expensed currently. Utility plant items are depreciated over their estimated useful lives on the straight-line group method. Depreciation on property and equipment used by the Electric Department is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided at a rate of 2% to 20% per year for the Electric Department property and equipment.

Deposits and Investments - The Electric Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The department has not formally adopted an investment policy and places no limit on the amount that may be deposited with any one issuer.

The Electric Department has no formal policy regarding interest rate risk. Deposits are structured in a manner that ensures sufficient cash is available to meet the anticipated liquidity needs. Selection of deposit maturities must be consistent with the cash requirements of the department in order to avoid the forced redemption of deposits prior to maturity.

As authorized by statutes of the State of Tennessee (the State), the department may only invest in obligations of the United States Treasury, its agencies and instrumentalities; money market funds; the Local Government Investment Pool or in obligations which are rated in either of the two highest rated categories by a nationally recognized rating agency. As of June 30, 2020, the Electric Department had no investments.

Accounts Receivable/Allowance for Doubtful Accounts and Unbilled Revenue - The allowance for doubtful accounts is determined using historical information and current evaluations of existing economic conditions. Recognition has been given to unbilled revenue in the financial statements. At June 30, 2020, unbilled revenue was estimated at approximately \$1,914,000.

Materials and Supplies - Materials and supplies are valued at average cost.

Customer Deposits - The Electric Department requires customers to pay a refundable deposit when service is connected. Customer deposits are refunded when the customer has made their payments timely for a two-year period. The amount of customer deposits due within one year on the balance sheet has been estimated based on the prior years' experience.

Compensated Absences - It is the Electric Department's policy to permit employees to accumulate earned, but unused vacation leave up to a maximum of 240 hours. A liability representing the Electric Department's commitment to fund such costs from future operations has been recorded. It is also the Electric Department's policy to allow employees to be paid for accumulated sick leave upon retirement. In accordance with Statement No. 16 of the GASB, a liability has been accrued for sick leave amounts that management has determined are earned and probable of being paid in the future, using the termination payment method. The amount of compensated absences due within one year on the balance sheet has been estimated based on prior years' experience.

Presentation of Certain Taxes - The Electric Department collects various taxes from customers and remits these amounts to applicable taxing authorities. The Electric Department's accounting policy is to exclude these taxes from revenues and cost of sales.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Electric Department - Additional Significant Accounting Policies (Continued)

Revenue and Expenses - Revenue and expenses are recorded on the accrual basis in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

Budgeting - The Electric Department adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Electric Department's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend capital contributions, grants, borrowings and certain revenues for capital projects. The Electric Department's budgets are not legally binding. During the year, management is authorized to transfer budgeted amounts between line items within the Electric Department's departments.

Water Department - Additional Significant Accounting Policies

Related Party and Interfund Activities - For economic purposes and convenience, certain expenses incurred by the Board are incurred jointly between the Electric Department and the Water Department. The joint expenses are incurred for the use of the building, management, customer services, meter reading / service technicians, sharing of transportation vehicles, office personnel, equipment, etc. For the year ended June 30, 2020, expenses of the Electric Department and Water Department that cannot be directly attributed to the operations of each Department are allocated on a pro-rata basis based on the following:

	<u>Electric</u>	<u>Water</u>
Customer Ratio	69%	31%
Adjusted Customer Ratio	77%	23%
Equivalent Employee Ratio	70%	30%
Building	85%	15%
Meter Reading	43%	57%

Additionally, the Electric Department bills and collects water and wastewater charges for the Water Department. These funds are periodically transferred to the Water Department. Accounts receivable and payable between the Electric Department and Water Department represent operating cash advances related to the transfer of these funds and the allocation of expenses mentioned above. These receivables and payables are included on the balance sheet within Accounts Receivable – Customers, Net and Accounts Payable. As of June 30, 2020, balances due from the Electric Department to the Water Department were \$336,625.

Utility Plant - Utility plant and construction work in progress are stated at cost. Interest costs associated with long-term construction projects are capitalized. Donated assets are valued at their estimated fair market value on the date donated. The Water Department defines a capital asset as an asset with an initial individual cost or a project with a cumulative total cost of more than \$2,500 and estimated useful life in excess of one year. Major renewals and improvements are charged to the plant account while replacements, maintenance, and repairs which do not improve or extend the life of the assets are expensed currently. Utility plant items are depreciated over their estimated useful lives on the straight-line group method. Depreciation on property and equipment used by the Water Department is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided at a rate of 2% to 20% per year for the Water Department's property and equipment.

Accounts Receivable/Allowance for Doubtful Accounts and Unbilled Revenue - The allowance for doubtful accounts is determined using historical information and current evaluations of existing economic conditions. Recognition has been given to unbilled revenue in the financial statements. At June 30, 2020, unbilled revenue was estimated at approximately \$296,000.

Materials and Supplies - Materials and supplies are valued at average cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Department - Additional Significant Accounting Policies (Continued)

Compensated Absences - It is the Water Department's policy to permit employees to accumulate earned, but unused vacation leave up to a maximum of 240 hours. A liability representing the Water Department's commitment to fund such costs from future operations has been recorded. The Water Department allows employees to be paid for accumulated sick leave upon retirement. In accordance with GAAP, a liability has been accrued for sick leave amounts that management has determined are earned and probable of being paid in the future, using the termination payment method. The amount of compensated absences due within one year on the balance sheet has been estimated based on prior years' experience.

Presentation of Certain Taxes - The Water Department collects various taxes from customers and remits these amounts to applicable taxing authorities. The Water Department's accounting policy is to exclude these taxes from revenues and cost of sales.

Revenue and Expenses - Revenue and expenses are recorded on the accrual basis in accordance with the Uniform System of Accounts for Class A and B Water Utilities adopted by the National Association of Regulatory Utility Commissioners. Labor, materials, and overhead costs of treated but unsold water are charged to operations as they are incurred, and no attempt is made to inventory these at year-end. Certain revenue and expenses of the water division and wastewater division that cannot be directly attributed to the operations of each division are allocated on a pro-rata basis of 74% and 26%, respectively.

Labor, materials and overhead costs of treated, but unsold, water are charged to operations as they are incurred and no attempt is made to inventory these at year-end.

Budgeting - The Water Department adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Water Department's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend capital contributions, grants, borrowings and certain revenues for capital projects. The Water Department's budgets are not legally binding. During the year, management is authorized to transfer budgeted amounts between line items within the Water Department's divisions.

Emergency Communications District - Additional Significant Accounting Policies

Budget - Formal budgetary integration is employed as a management control device during the year for this fund. This annual budget is prepared on a basis consistent with generally accepted accounting principles (GAAP) and is approved by the District's Board of Commissioners. The budget may be amended by a majority vote of the Board of Commissioners. Actual expenditures and operating transfers out may not legally exceed budget appropriations. Budgetary control is maintained at the line item level. Appropriations lapse at the close of the fiscal year.

Capital Assets - Capital assets are carried at cost and defined as an asset with an initial individual cost, or project with a cumulative total cost of more than \$5,000 and estimated useful life in excess of one year. Depreciation is computed using the straight-line method over an estimated useful life of five to twenty-five years.

NOTE 2 - CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

Custodial Credit Risk - Deposits - For cash and cash equivalents, this is the risk that in the event of a bank failure, the City's deposits will not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2020, the book balances of cash, cash equivalents, and certificates of deposit totaled \$11,680,316 and the bank balances totaled \$11,975,368 (\$1,309,117 of which was covered by FDIC insurance, \$2,594,917 was insured by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department, and \$8,071,334 which is in a financial institution not participating in the bank pool, but this institution pledges collateral held in safekeeping by a third party bank acting as an agent of the City in the City's name).

As of June 30, 2020, the book balances of the District's cash accounts were \$582,346 and the bank balances were \$587,126. Of the bank balances, \$250,000 was covered by FDIC insurance and \$337,126 was covered by collateral held by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department.

NOTE 3 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020 are summarized as follows:

<u>Transfers To:</u>	Transfers From		
	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total</u>
Special Police Fund	\$ 25,178	0	25,178
Drug Fund	16,133	0	16,133
General Fund	0	40,000	40,000
Total	<u>\$ 41,311</u>	<u>\$ 40,000</u>	<u>\$ 81,311</u>

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

NOTE 4 - CAPITAL ASSETS

Governmental Activities

Capital asset activity for the year ended June 30, 2020 is as follows:

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 601,634	\$ 0	\$ 0	\$ 601,634
Construction In Progress	327,366	408,643	0	736,009
Total Capital Assets, Not Being Depreciated	<u>929,000</u>	<u>408,643</u>	<u>0</u>	<u>1,337,643</u>
Capital Assets, Being Depreciated:				
Land Improvements	951,566	0	0	951,566
Buildings and Improvements	3,590,025	21,216	0	3,611,241
Equipment, Furniture and Fixtures	1,989,420	50,463	0	2,039,883
Vehicles	4,451,381	34,790	(183,121)	4,303,050
Infrastructure	14,813,327	24,950	0	14,838,277
Total Capital Assets, Being Depreciated	<u>25,795,719</u>	<u>131,419</u>	<u>(183,121)</u>	<u>25,744,017</u>
Less Accumulated Depreciation for:				
Land Improvements	508,055	34,849	0	542,904
Buildings and Improvements	1,546,640	121,573	0	1,668,213
Equipment, Furniture and Fixtures	1,235,281	123,536	0	1,358,817
Vehicles	2,762,635	288,107	(183,121)	2,867,621
Infrastructure	10,131,446	316,921	0	10,448,367
Total Accumulated Depreciation	<u>16,184,057</u>	<u>884,986</u>	<u>(183,121)</u>	<u>16,885,922</u>
Total Capital Assets, Being Depreciated, Net	<u>9,611,662</u>	<u>(753,567)</u>	<u>0</u>	<u>8,858,095</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,540,662</u>	<u>\$ (344,924)</u>	<u>\$ 0</u>	<u>\$ 10,195,738</u>

Depreciation was charged to governmental functions as follows:

Administration and Finance	\$ 81,535
Police Protection	92,757
Fire Protection	176,290
Animal and Infectious Disease Control	3,769
Streets and Highways and General Public Works	424,708
Recreation Center and Library	105,927
	<u>\$ 884,986</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Electric Department

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 1,075,346	\$ 0	\$ 0	\$ 1,075,346
Construction Work in Progress	2,090,802	4,258,531	(5,179,952)	1,169,381
Total Capital Assets, Not Being Depreciated	<u>3,166,148</u>	<u>4,258,531</u>	<u>(5,179,952)</u>	<u>2,244,727</u>
Capital Assets, Being Depreciated:				
Structures and Improvements	5,192,648	5,485	0	5,198,133
Poles, Towers, and Transmission Assets	86,598,589	2,825,406	(870,982)	88,553,013
Street Lighting Systems	4,283,371	469,514	(151,429)	4,601,456
Equipment, Furniture and Fixtures	31,061,618	2,969,082	(147,594)	33,883,106
Total Capital Assets, Being Depreciated	<u>127,136,226</u>	<u>6,269,487</u>	<u>(1,170,005)</u>	<u>132,235,708</u>
Less Accumulated Depreciation for:				
Structures and Improvements	1,248,390	105,440	0	1,353,830
Poles, Towers, and Transmission Assets	38,076,562	2,585,459	(853,198)	39,808,823
Street Lighting Systems	3,041,413	219,218	(172,378)	3,088,253
Equipment, Furniture and Fixtures	19,084,765	837,802	(119,918)	19,802,649
Total Accumulated Depreciation	<u>61,451,130</u>	<u>3,747,919</u>	<u>(1,145,494)</u>	<u>64,053,555</u>
Total Capital Assets, Being Depreciated, Net	<u>65,685,096</u>	<u>2,521,568</u>	<u>(24,511)</u>	<u>68,182,153</u>
Capital Assets, Net	<u>\$ 68,851,244</u>	<u>\$ 6,780,099</u>	<u>\$ (5,204,463)</u>	<u>\$ 70,426,880</u>

Water Department

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 169,537	\$ 0	\$ 0	\$ 169,537
Construction Work in Progress	149,961	1,363,358	(1,113,372)	399,947
Total Capital Assets, Not Being Depreciated	<u>319,498</u>	<u>1,363,358</u>	<u>(1,113,372)</u>	<u>569,484</u>
Capital Assets, Being Depreciated:				
Structures and Improvements	17,466,454	699,128	0	18,165,582
Furniture, Fixtures and Equipment	8,018,550	451,939	(64,014)	8,406,475
Distribution Reservoir and Standpipes	2,390,701	74,988	0	2,465,689
Transmission and Distribution Mains	30,071,443	6,928	0	30,078,371
Service Installations	7,486,303	233,339	(15,030)	7,704,612
Total Capital Assets, Being Depreciated	<u>65,433,451</u>	<u>1,466,322</u>	<u>(79,044)</u>	<u>66,820,729</u>
Less Accumulated Depreciation for:				
Structures and Improvements	7,347,491	434,833	0	7,782,324
Furniture, Fixtures and Equipment	6,182,967	344,691	(59,169)	6,468,489
Distribution Reservoir and Standpipes	1,073,970	47,814	0	1,121,784
Transmission and Distribution Mains	12,431,518	599,294	0	13,030,812
Service Installations	4,482,007	284,401	0	4,766,408
Total Accumulated Depreciation	<u>31,517,953</u>	<u>1,711,033</u>	<u>(59,169)</u>	<u>33,169,817</u>
Total Capital Assets, Being Depreciated, Net	<u>33,915,498</u>	<u>(244,711)</u>	<u>(19,875)</u>	<u>33,650,912</u>
Capital Assets, Net	<u>\$ 34,234,996</u>	<u>\$ 1,118,647</u>	<u>\$ (1,133,247)</u>	<u>\$ 34,220,396</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Emergency Communications District

Capital asset activity for the component unit for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 4,000	\$ 0	\$ 0	\$ 4,000
Construction In Progress	51,380	0	(51,380)	0
Total Capital Assets, Not Being Depreciated	<u>55,380</u>	<u>0</u>	<u>(51,380)</u>	<u>4,000</u>
Capital Assets, Being Depreciated:				
Equipment, Furniture and Fixtures	796,460	301,658	0	1,098,118
Less Accumulated Depreciation for:				
Equipment, Furniture and Fixtures	533,040	87,677	0	620,717
Total Capital Assets, Being Depreciated, Net	<u>263,420</u>	<u>213,981</u>	<u>0</u>	<u>477,401</u>
Capital Assets, Net	<u>\$ 318,800</u>	<u>\$ 213,981</u>	<u>\$ (51,380)</u>	<u>\$ 481,401</u>

NOTE 5 - LONG-TERM OBLIGATIONS

(A) LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Governmental Activities:					
Notes Payable (Direct Borrowings):					
Capital Outlay Note	\$ 337,000	\$ 0	\$ (166,000)	\$ 171,000	\$ 171,000
Capital Outlay Note	1,232,000	0	(140,000)	1,092,000	143,000
	<u>\$ 1,569,000</u>	<u>\$ 0</u>	<u>\$ (306,000)</u>	<u>\$ 1,263,000</u>	<u>\$ 314,000</u>
Business-Type Activities:					
Notes Payable (Direct Borrowings):					
Loans Payable to PBA Clarksville, Series 2003, 2004, 2008 and 2010	\$ 6,159,999	\$ 0	\$ (6,159,999)	\$ 0	\$ 0
Loan Payable to PBA Montgomery County, Series 2006	6,665,000	0	(6,665,000)	0	0
TLDA Loans	4,955,163	0	(452,052)	4,503,111	455,645
Total Notes Payable (Direct Borrowings)	<u>17,780,162</u>	<u>0</u>	<u>(13,277,051)</u>	<u>4,503,111</u>	<u>455,645</u>
General Obligation Bonds:					
Rural Development Revenue and Tax Bonds Series 2014A	1,649,675	0	(33,602)	1,616,073	34,452
Refunding, Series 2015A	4,887,769	1,805,793	(370,258)	6,323,304	260,000
Refunding, Series 2015B	4,470,000	0	(1,490,000)	2,980,000	1,490,000
Series 2017	3,210,000	0	(265,000)	2,945,000	270,000
Series 2019	8,360,000	0	0	8,360,000	390,000
	0	13,465,000	(1,250,000)	12,215,000	1,000,000
Total General Obligation Bonds	<u>22,577,444</u>	<u>15,270,793</u>	<u>(3,408,860)</u>	<u>34,439,377</u>	<u>3,444,452</u>
	<u>\$ 40,357,606</u>	<u>\$ 15,270,793</u>	<u>\$ (16,685,911)</u>	<u>\$ 38,942,488</u>	<u>\$ 3,900,097</u>

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

Governmental Activities

General obligation capital outlay notes payable currently outstanding are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2020
Capital Outlay Note	2.94%	10/27/10	10/01/20	\$ 1,500,000	\$ 171,000
Capital Outlay Note	2.81%	04/12/17	03/01/27	1,500,000	1,092,000
					<u>\$ 1,263,000</u>

Annual debt service requirements to maturity of the primary government for the notes are as follows:

Year Ending June 30,	Notes from Direct Borrowings	
	Principal	Interest
2021	\$ 314,000	\$ 33,199
2022	147,000	26,667
2023	152,000	22,536
2024	156,000	18,265
2025	160,000	13,881
2026-2027	334,000	14,135
Total	<u>\$ 1,263,000</u>	<u>\$ 128,683</u>

Electric Department

Changes in long-term obligations for the year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year
Notes Payable (Direct Borrowings):					
Loan Payable to the Public Building Authority of the City of Clarksville, Tennessee - Series 2004 (PBA Clarksville, Series 2004) - Variable Rate based on Bank of America Daily Rate	\$ 3,004,729	\$ 0	\$ (3,004,729)	\$ 0	\$ 0
Loan Payable to the Public Building Authority of the County of Montgomery, Tennessee - Series 2006 (PBA Montgomery County, Series 2006) - Variable Rate based on Bank of America Daily Rate	6,665,000	0	(6,665,000)	0	0
Loan Payable to the Public Building Authority of the City of Clarksville, Tennessee - Series 2008 (PBA Clarksville, Series 2008) - Variable Rate based on Bank of America Daily Rate	1,244,583	0	(1,244,583)	0	0
Total Notes Payable (Direct Borrowings)	<u>10,914,312</u>	<u>0</u>	<u>(10,914,312)</u>	<u>0</u>	<u>0</u>
General Obligation Bonds:					
Electric System General Obligation Bonds, Series 2014A, 2.0% to 4.0%	4,155,000	0	(215,000)	3,940,000	220,000
Electric System General Obligation Refunding Bonds, Series 2015A, 2.0%	4,470,000	0	(1,490,000)	2,980,000	1,490,000
Electric System General Obligation Refunding Bonds, Series 2015B, 2.0% to 2.75%	3,210,000	0	(265,000)	2,945,000	270,000
Electric System General Obligation Bonds, Series 2017, 2.0% to 3.25%	8,360,000	0	0	8,360,000	390,000
Electric System General Obligation Refunding Bonds, Series 2019, 2.25% to 5.00%	0	11,740,000	(1,050,000)	10,690,000	800,000
Total General Obligation Bonds	<u>20,195,000</u>	<u>11,740,000</u>	<u>(3,020,000)</u>	<u>28,915,000</u>	<u>3,170,000</u>
Total Electric Department Debt	31,109,312	11,740,000	(13,934,312)	28,915,000	3,170,000
Plus Unamortized Premiums on Issuance	386,507	1,593,837	(105,765)	1,874,579	0
	<u>\$ 31,495,819</u>	<u>\$ 13,333,837</u>	<u>\$ (14,040,077)</u>	<u>\$ 30,789,579</u>	<u>\$ 3,170,000</u>

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

Electric Department (Continued)

The bonds and loans payable outstanding as of June 30, 2020 are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2020</u>
Electric System General Obligation Bonds, Series 2014A	2.00% - 4.00%	12/5/2014	3/1/2035	\$ 9,075,000	\$ 3,940,000
Electric System General Obligation Refunding Bonds, Series 2015A	2.00%	2/27/2015	3/1/2022	5,990,000	2,980,000
Electric System General Obligation Refunding Bonds, Series 2015B	2.00% - 2.75%	3/31/2015	3/1/2030	4,225,000	2,945,000
Electric System General Obligation Bonds, Series 2017	2.00% to 3.25%	5/25/2017	3/1/2037	8,360,000	8,360,000
Electric System General Obligation Bonds, Series 2019	2.25% to 5.00%	11/25/2019	3/1/2034	11,740,000	<u>10,690,000</u>
					<u>\$ 28,915,000</u>

Annual debt service requirements to maturity of the bonds and loans payable are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 3,170,000	\$ 971,738
2022	3,200,000	880,438
2023	2,060,000	788,338
2024	2,130,000	708,888
2025	2,165,000	630,301
2026-2030	9,865,000	2,041,583
2031-2035	5,120,000	677,600
2036-2037	<u>1,205,000</u>	<u>58,988</u>
Total	<u>\$ 28,915,000</u>	<u>\$ 6,757,875</u>

The general taxing authority of the City of LaFollette is pledged as collateral for all of the loans payable to Public Building Authorities. Proceeds from these loans were also used to finance certain construction projects.

The 2014 and 2015 General Obligation Bonds are payable from but not secured by a pledge of the Electric Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these bonds.

On May 25, 2017, the Electric Department issued \$8,360,000 in General Obligation Bonds (Series 2017) to provide funds for the acquisition of land and construction, renovation, extension and equipping of site improvements, facilities and equipment for the City's electric system. The bonds are secured by a pledge of the Electric Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these bonds.

On November 25, 2019, the Electric Department issued \$13,150,000 in General Obligation Refunding Bonds (Series 2019) to provide funds to refinance all of the variable rate loans payable to the Public Building Authorities of the City of Clarksville, TN and the County of Montgomery, Tennessee. The refunding did not result in an accounting loss. These bonds also resulted in approximately \$2,260,000 in additional proceeds to provide financing for certain construction projects. The bonds are payable from but not secured by a pledge of the Electric Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these bonds.

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

Water Department

Changes in long-term obligations for the year ended June 30, 2020 are as follows:

	Balances June 30, 2019	Increases	Decreases	Balances June 30, 2020	Amounts Due Within One Year
Notes Payable (Direct Borrowings):					
Loan Payable to the Public Building Authority of the City of Clarksville, Tennessee - Series 2003 (PBA Clarksville, Series 2003) - Variable Rate (Based on Bank of America Daily Rate)	\$ 260,000	\$ 0	\$ (260,000)	\$ 0	\$ 0
Loan Payable to the Public Building Authority of the City of Clarksville, Tennessee - Series 2004 (PBA Clarksville, Series 2004) - Variable Rate (Based on Bank of America Daily Rate)	514,270	0	(514,270)	0	0
State Revolving Fund Loan Payable to the Tennessee Local Development Authority - Series 2003 (TLDA, Series 2003)	365,663	0	(54,444)	311,219	54,845
State Revolving Fund Loan Payable to the Tennessee Local Development Authority Series 2006 (TLDA, Series 2006)	4,589,500	0	(397,608)	4,191,892	400,800
Loan Payable to the Public Building Authority of the City of Clarksville, Tennessee - Series 2008 (PBA Clarksville, Series 2008) - Variable Rate (Based on Bank of America Daily Rate)	<u>1,136,417</u>	<u>0</u>	<u>(1,136,417)</u>	<u>0</u>	<u>0</u>
Total General Obligation (Direct Borrowings)	<u>6,865,850</u>	<u>0</u>	<u>(2,362,739)</u>	<u>4,503,111</u>	<u>455,645</u>
General Obligation Bonds:					
Rural Development Water and Sewer Revenue and Tax Bonds - Series 2012 - Fixed Rate of 2.5%	1,649,675	0	(33,602)	1,616,073	34,452
Water System General Obligation Bonds, Series 2014A, 2.00% to 2.75%	340,000	0	(40,000)	300,000	40,000
Water System General Obligation Refunding Bonds, Series 2019, 3.0% to 5.0%	<u>0</u>	<u>1,725,000</u>	<u>(200,000)</u>	<u>1,525,000</u>	<u>200,000</u>
Total General Obligation Bonds	<u>1,989,675</u>	<u>1,725,000</u>	<u>(273,602)</u>	<u>3,441,073</u>	<u>274,452</u>
Total Water Department Debt	8,855,525	1,725,000	(2,636,341)	7,944,184	730,097
Plus: Unamortized Premiums on Issuance	<u>6,262</u>	<u>211,956</u>	<u>(9,493)</u>	<u>208,725</u>	<u>0</u>
	<u>\$ 8,861,787</u>	<u>\$ 1,936,956</u>	<u>\$ (2,645,834)</u>	<u>\$ 8,152,909</u>	<u>\$ 730,097</u>

The bonds, loans and notes payable outstanding as of June 30, 2020 are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2020
Loan Payable to PBA - Clarksville, Series 2003	Variable	12/29/2003	5/25/2023	\$ 1,000,000	\$ 0
Loan Payable to PBA - Clarksville, Series 2004	Variable	5/24/2005	5/25/2025	1,461,400	0
Loan Payable to TLDA, Series 2003	0.71%	6/23/2003	6/30/2026	1,060,000	311,219
Loan Payable to TLDA, Series 2006	0.80%	6/25/2007	2/20/2030	7,997,945	4,191,892
Loan Payable to PBA - Clarksville, Series 2008	Variable	10/31/2008	5/25/2031	1,670,500	0
Rural Development Water and Sewer Revenue and Tax Bonds, Series 2012	2.50%	12/4/2012	6/30/2051	1,825,000	1,616,073
Water System General Obligation Bonds, Series 2014A	2.00% to 2.75%	12/5/2014	3/1/2027	500,000	300,000
Water System General Obligation Refunding Bonds, Series 2019	3.0% to 5.0%	11/25/2019	3/1/2031	1,725,000	1,525,000
					<u>\$ 7,944,184</u>

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

Water Department (Continued)

Annual debt service requirements to maturity of the general obligation bonds, loans payable and notes payable (assuming principal amounts are fully drawn) are as follows for the years ended June 30:

	Notes from Direct Borrowings		Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 455,645	\$ 34,107	\$ 274,452	\$ 119,158
2022	459,255	30,489	275,323	107,487
2023	462,889	26,855	276,216	95,793
2024	466,561	23,183	247,132	84,078
2025	470,248	19,496	243,071	73,877
2026 - 2030	2,152,641	44,912	795,293	250,606
2031 - 2035	35,872	0	332,596	142,701
2036 - 2040	0	0	263,532	108,765
2041 - 2045	0	0	298,582	73,715
2046 - 2050	0	0	338,295	34,004
2051 - 2052	0	0	96,581	1,707
Total	\$ <u>4,503,111</u>	\$ <u>179,042</u>	\$ <u>3,441,073</u>	\$ <u>1,091,891</u>

The future net revenues of the Water Department, the general taxing authority of the City of LaFollette, and the City's state-shared tax revenues are pledged as collateral for the loans payable to TLDA and Rural Development. Proceeds from these loans provided financing for certain construction projects. The debt for which revenues have been pledged is payable through 2052. Annual principal and interest payments on the debt are expected to require less than 9% of annual net revenues of the Water Department. The total principal and interest remaining to be paid on the debt is \$7,014,229 based on rates in effect as of June 30, 2020. Principal and interest paid for the current year and total net revenues of the Water Department were \$564,204 and \$6,826,068, respectively.

The general taxing authority of the City of LaFollette is pledged as collateral for the Revenue and Tax Bonds.

The 2014A General Obligation Bonds are payable from but not secured by a pledge of the Water Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these Bonds.

On November 25, 2019, the Water Department issued \$1,750,000 in General Obligation Refunding Bonds (Series 2019) to provide funds to refinance all of the variable rate loans payable to the Public Building Authorities of the City of Clarksville, Tennessee and the County of Montgomery, Tennessee. The refunding did not result in an accounting loss. These bonds are payable from but not secured by a pledge of the Water Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these bonds.

(B) CAPITAL LEASE OBLIGATIONS

On December 6, 2018, the City entered into a capital lease to purchase a breathing apparatus system for an emergency vehicle. The City is required to make annual lease payments of \$22,432 plus interest at 4.47% set to mature August 2024. Title to the equipment will transfer to the City at the end of the lease.

On April 25, 2019, the City entered into a capital lease to purchase a fire apparatus system for an emergency vehicle. The City is required to make annual lease payments of \$40,979 plus interest at 4.15% set to mature August 2025. Title to the equipment will transfer to the City at the end of the lease.

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

(B) CAPITAL LEASE OBLIGATIONS (Continued)

Changes in capital lease obligations for the year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Governmental Activities:					
Capital Lease Obligations:					
Breathing Apparatus	\$ 100,000	\$ 0	\$ (19,475)	\$ 80,525	\$ 18,830
Fire Apparatus	251,945	0	(38,136)	213,809	32,117
	<u>\$ 351,945</u>	<u>\$ 0</u>	<u>\$ (57,611)</u>	<u>\$ 294,334</u>	<u>\$ 50,947</u>

The following is a summary of the City's payments of capitalized lease obligations in five-year increments:

Year Ending June 30,	Capital Lease Obligations	
	Principal	Interest
2021	\$ 50,947	\$ 12,465
2022	53,120	10,291
2023	55,387	8,025
2024	57,749	5,661
2025	37,782	3,197
2026-2027	39,349	1,631
Total	<u>\$ 294,334</u>	<u>\$ 41,270</u>

NOTE 6 - OTHER LONG-TERM LIABILITIES

Other long-term liabilities activity during the year ended June 30, 2020 consists of the following:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities:					
Accrued Compensated Absences	\$ 309,166	\$ 291,542	\$ (309,166)	\$ 291,542	\$ 291,542
Accrued Post-Retirement Plan (OPEB)	1,125,632	383,482	(80,650)	1,428,464	0
	<u>\$ 1,434,798</u>	<u>\$ 675,024</u>	<u>\$ (389,816)</u>	<u>\$ 1,720,006</u>	<u>\$ 291,542</u>
Business-Type Activities:					
Customer Deposits	\$ 2,316,789	\$ 482,316	\$ (371,110)	\$ 2,427,995	\$ 386,573
Accrued Compensated Absences	1,758,492	702,487	(482,866)	1,978,113	667,592
Accrued Retirement Plan	618,106	0	(117,870)	500,236	117,960
Accrued Post-Retirement Plan (OPEB)	725,381	317,734	(49,238)	993,877	0
	<u>\$ 5,418,768</u>	<u>\$ 1,502,537</u>	<u>\$ (1,021,084)</u>	<u>\$ 5,900,221</u>	<u>\$ 1,172,125</u>

NOTE 7 - RETIREMENT PLANS

Governmental Activities Pension Plan

Plan Description - Employees of the City’s Governmental Funds are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2019, the following numbers of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	66
Inactive Employees Entitled to but not yet Receiving Benefits	92
Active Employees	<u>92</u>
Total	<u><u>250</u></u>

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, the employer contributions for the City were \$284,578 based on a rate of 9.78% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NOTE 7 - RETIREMENT PLANS (Continued)

Net Pension Liability

The City’s net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability as of the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50%. The best estimate of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

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

NOTE 7 - RETIREMENT PLANS (Continued)

Governmental Activities Pension Plan (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2018	\$ 13,324,095	\$ 13,294,376	\$ 29,719
Changes for the Year			
Service Cost	260,139	0	260,139
Interest	954,588	0	954,588
Difference between Expected and Actual Experience	93,274	0	93,274
Changes in Assumptions	0	0	0
Contribution - Employer	0	308,832	(308,832)
Contribution - Employee	0	157,890	(157,890)
Net Investment Income	0	975,887	(975,887)
Benefit Payments, including Refunds of Employee Contributions	(835,016)	(835,016)	0
Administrative Expense	0	(7,966)	7,966
Net Changes	<u>472,985</u>	<u>599,627</u>	<u>(126,642)</u>
Balance at June 30, 2019	<u>\$ 13,797,080</u>	<u>\$ 13,894,003</u>	<u>\$ (96,923)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate -The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
2020 City's Net Pension Liability (Asset)	\$ 1,531,955	\$ (96,923)	\$ (1,449,982)

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

Pensions Expense - For the year ended June 30, 2020, the City recognized pension expense of \$193,257.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to this Pension Plan in the statement of net position from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2020</u>		
Differences Between Expected and Actual Experience	\$ 133,639	\$ 324,525
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	162,961
Changes in Assumptions	179,150	0
Contributions Subsequent to the Measurement Date of June 30, 2019	284,578	0
Total	<u>\$ 597,367</u>	<u>\$ 487,486</u>

*The amount show above for "Contributions subsequent to the measurement date of June 30, 2019", will be recognized as a reduction (increase) to net pension liability (asset) in the follow ing measurement period.

NOTE 7 - RETIREMENT PLANS (Continued)

Governmental Activities Pension Plan (Continued)

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

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

Year Ended June 30,	
2021	\$ (22,449)
2022	(129,985)
2023	(18,769)
2024	(10,560)
2025	(6,252)
Thereafter	13,318

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

Payable to the Pension Plan

At June 30, 2020, the City did not have any outstanding accrued contributions to the pension plan, so there is no payable reported in the governmental activities column of the statement of net position.

Electric and Water Department Pension Plan

The Electric and Water Department participate in the Retirement Security Plan (RS Plan) sponsored and administered by the National Rural Electric Cooperative Association (NRECA) which is a cost-sharing pension plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS Plan annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145: PN 333). Copies of the RS Plan's annual financial statements are also available to participating employers by calling NRECA's Member Contact Center at 866-673-2299.

The Plan provides defined benefit pension retirement benefits to covered employees. Members are eligible to retire at age 62 or after 30 years of service, beginning in 1970. Benefits are determined by a formula using the member's final average effective salary for each of their years of benefit service. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. As of June 30, 2020, 66 of the Electric Department's employees and 18 of the Water Department's employees were covered under the RS Plan. The Electric Department and Water Department may amend certain terms of the Plan, including benefit levels provided for each year of service, normal retirement age, cost-of-living (COLA) adjustments to retiree annuity payments, eligibility for participation, and required employee contributions to the plan. Other plan terms, such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by individual employers (such provisions require approval by the NRECA board of directors). Each employer elects to participate in the Plan.

Plan participants do not contribute to the Plan, and the Electric Department and Water Department are required to contribute annually in accordance with the terms of the RS Plan. The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payroll over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each employer's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's pay level). The Electric Department and Water Department may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. For the year ended June 30, 2020, required employer contributions for the Electric Department were \$863,416 based on a rate of 27.17% of covered payroll. Required employer contributions for the Water Department were \$370,035 based on a rate of 27.17% of covered payroll. These amounts represent all of the required contributions for the year, and no amounts are included in accounts payable at year end. The RS Plan must meet minimum funding requirements under ERISA, as determined by Internal Revenue Service regulations. The Electric Department and Water Department can choose to withdraw from the RS Plan, subject to plan provisions that require the departments to fully fund its share of RS Plan liabilities before withdrawing.

NOTE 7 - RETIREMENT PLANS (Continued)

Electric and Water Department Pension Plan (Continued)

The Electric Department and Water Department have recorded a payable to NRECA related to contractual agreements for contributions to the RS Plan related to past service upon the Department's entrance into the Plan. This liability is to be repaid in annual installments, with final payment due in 2047. The Electric and Water Department's contractual liability for past service costs as of June 30, 2020 is as follows:

	<u>Electric Department</u>	<u>Water Department</u>
Contractual Liability - Beginning of Year	\$ 464,919	\$ 153,187
Amounts Remitted to the NRECA	(82,861)	(35,008)
Contractual Liability - End of Year	<u>382,058</u>	<u>118,179</u>
Less Current Portion of Accrued Liability	<u>(82,952)</u>	<u>(35,008)</u>
Long-Term Portion of Accrued Liability	<u>\$ 299,106</u>	<u>\$ 83,171</u>

Electric and Water Department Defined Contribution 401(k) Plan

The Electric Department and Water Department also have a defined contribution 401(k) plan through the NRECA which covers substantially all employees. The Electric Department and Water Department match up to 4% of participants' base pay each year. Voluntary participant contributions are allowed and totaled \$254,594 for the Electric Department and \$109,112 for the Water Department for the year ended June 30, 2020. Contributions by the Electric Department totaled \$158,373 and contributions by the Water Department totaled \$67,874 for the year ended June 30, 2020.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The following information is provided to support the balances as of June 30, 2020 in the total column on the Statement of Net Position on pages 1 and 2 of the financial statements

	<u>City</u>	<u>Electric</u>	<u>Water</u>	<u>All Plans</u>
Accrued Post Retirement Plan	\$ 1,428,464	\$ 695,714	\$ 298,163	\$ 2,422,341
Deferred OPEB Outflows	\$ 219,507	\$ 205,553	\$ 78,051	\$ 503,111
Deferred OPEB Inflows	\$ 19,072	\$ 9,233	\$ 27,393	\$ 55,698

Governmental Activities

General Information About the OPEB Plan

Plan Description - The City provides certain post-employment benefits to certain retirees. The City will allow the retirees and their dependents to participate in the City's health insurance plan (including former council members). Former employees that have attained the age of 60 and have at least 20 years of service or 30 years of service under TCRS and age 60 may obtain health insurance coverage. The City pays the premiums for these retirees (premiums for dependent coverage is paid for by the retiree). The City also provides an early retirement benefit whereas the City will pay half of the retiree's health insurance premiums after obtaining 20 years of service and age 55 or 30 years of service under TCRS. Coverage for both options are available until the earlier of age 65, Medicare eligibility, or covered by another health insurance plan, but in no event longer than 5 years.

Benefits Provided - The City's healthcare plan is insured and serviced by Humana. A premium is paid for medical coverage which is not age related. However, the underlying cost of the medical coverage does vary by age, as medical costs tend to increase with age. As the premium paid for retirees is the same as for active employees, a more valuable benefit is received by retirees as compared to younger, active employees. GASB 75 defines this benefit as an implicit rate subsidy and it is to be valued under the standards.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Governmental Activities (Continued)

General Information About the OPEB Plan (Continued)

Employees Covered by Benefit Terms - At July 1, 2019, the following employees of the City were covered by the benefit terms of the Plan:

Retired Employees	3
Disabled Employees	0
Beneficiaries	0
Active Employees	<u>104</u>
Total Participants	<u><u>107</u></u>

The contribution requirements are established and may be amended by the City. The Plan is currently being funded on a pay-as-you-go basis. There are no assets accumulating in a trust that meets that criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2020, the City paid \$54,538 to the Plan for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions - The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Healthcare Cost Trend Rates:	5.00% for 2020, remaining stagnant over the course of the next several periods.
Retiree's Share of Benefit-Related Costs	Members opting to receive full retirement benefits are not required to make monthly contributions to maintain their individual coverage. Members are required to make monthly contributions for dependents to maintain coverage. Members opting for early benefits are required to make monthly contributions of half their premiums to maintain coverage and full contributions to maintain dependent coverage.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial demographic assumptions used in the July 1, 2019 actuarial valuation were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the Group Annuity 1983 Mortality Table.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2020 was 2.21% (3.50% as of June 30, 2019). This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer's 20-Year Municipal GO index.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Governmental Activities (Continued)

General Information About the OPEB Plan (Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at July 1, 2019	\$ <u>1,125,632</u>
Changes for the Year	
Service Cost	96,088
Interest	47,051
Change in Assumptions	214,231
Benefit Payments	<u>(54,538)</u>
Net Changes	<u>302,832</u>
Balances at June 30, 2020	\$ <u><u>1,428,464</u></u>

Changes in Assumptions - The discount rate was changed from 3.50% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption increased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to the Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
2020	\$ <u>1,589,471</u>	\$ <u>1,428,464</u>	\$ <u>1,286,232</u>

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to the Plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rates (5.00%)</u>	<u>1% Increase (6.00%)</u>
2020	\$ <u>1,247,411</u>	\$ <u>1,428,464</u>	\$ <u>1,649,408</u>

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Governmental Activities (Continued)

General Information About the OPEB Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$169,251.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in Assumptions	\$ <u>219,507</u>	\$ <u>19,072</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

For the Years ended June 30:

2021	\$ 26,112
2022	26,112
2023	26,112
2024	26,112
2025	25,380
Thereafter	<u>70,607</u>
Total	<u>\$ 200,435</u>

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

Electric Department and Water Department

Plan Description - In addition to the retirement benefits described in Note 7, The City of LaFollette - Board of Public Utilities' board of commissioners approved a single-employer defined benefit healthcare plan that is self-administered. The Plan provides partial payment of health insurance premiums for eligible retirees and their dependents. The Plan provides for each Department to pay 2% per year of service up to a maximum of 50% of the employee premium for a total of 5 years. It also provides for each Department to pay 1% per year of service up to a maximum of 25% of the dependent and surviving spouse's premium for a total of 5 years.

Benefits Provided - The Water and Electric Department's healthcare plan is insured and serviced by Blue Cross Blue Shield of Tennessee. A premium is paid for medical coverage which is not age related. However, the underlying cost of the medical coverage does vary by age as medical costs tend to increase with age. As a result, older employees receive a more valuable benefit than younger employees. As the premium paid for retirees is the same as for active employees, a more valuable benefit is received by retirees as compared to younger, active employees. GASB 75 defines this benefit as an implicit rate subsidy and it is to be valued under the standards. An adjustment from active employee health costs to retiree medical health costs is made to properly account for this subsidy.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Governmental Activities (Continued)

Electric Department and Water Department (Continued)

Employees Covered by Benefit Terms - At the measurement date of June 30, 2020, the following employees of the Electric Department were covered by the benefit terms of The Plan:

	<u>Electric Department</u>	<u>Water Department</u>
Retired Employees	4	2
Disabled Employees	3	1
Beneficiaries	1	0
Active Employees	65	28
Total Participants	<u>73</u>	<u>31</u>

The contribution requirements are established and may be amended by the board of commissioners. The Plan is currently being funded on a pay-as-you-go basis, whereby amounts paid to retirees and their matching payments are the only contributions. There are no assets accumulating in a trust that meet the criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2020, the Electric Department paid \$34,467 and the Water Department paid \$14,754 to the Plan for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions - The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Healthcare Cost Trend Rates	5.00% for 2020, remaining stagnant over the course of the next several periods.
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributions in order to maintain their coverage. The Electric Department pays a portion of eligible retirees' and their dependents' medical premiums, for a total of five years. The portion paid amounts to 2% for each year of service, up to 50% of premiums for retirees and 1% for each year of service up to 25% of premiums for their dependents.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial demographic assumptions used in the July 1, 2019 actuarial valuation were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the Group Annuity 1983 Mortality Table.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2020 was 2.21%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer's 20-Year Municipal GO index.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Governmental Activities (Continued)

Electric Department and Water Department (Continued)

Changes in the Total OPEB Liability

	<u>Electric Department</u>	<u>Water Department</u>
Balances at July 1, 2019	\$ 507,767	\$ 217,614
Changes for the Year		
Service Cost	11,757	5,039
Interest	21,959	9,411
Change in Assumptions	188,698	80,870
Benefit Payments	<u>(34,467)</u>	<u>(14,771)</u>
Net Changes	<u>187,947</u>	<u>80,549</u>
Balances at June 30, 2020	<u>\$ 695,714</u>	<u>\$ 298,163</u>

Changes in Assumptions - The discount rate was changed from 3.50% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption increased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
2020 Total OPEB Liability			
Electric	\$ <u>758,754</u>	\$ <u>695,714</u>	\$ <u>638,723</u>
Water	\$ <u>325,180</u>	\$ <u>298,163</u>	\$ <u>273,738</u>

Changes in the Total OPEB Liability (Continued)

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rate.

	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rates (5.00%)</u>	<u>1% Increase (6.00%)</u>
2020 Total OPEB Liability			
Electric	\$ <u>622,999</u>	\$ <u>695,714</u>	\$ <u>782,254</u>
Water	\$ <u>266,999</u>	\$ <u>298,163</u>	\$ <u>335,252</u>

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Electric Department and Water Department (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense/Benefit - For the fiscal year ended June 30, 2020, the Electric and Water Department recognized OPEB expense and benefit of \$57,804 and \$19,996, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2020, the Electric and Water Department reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Electric		
Changes in Assumptions	\$ 182,118	\$ 9,233
Change in Proportion	23,435	0
Totals as of June 30, 2020	<u>\$ 205,553</u>	<u>\$ 9,233</u>
Water		
Changes in Assumptions	\$ 78,051	\$ 3,958
Change in Proportion	0	23,435
Totals as of June 30, 2020	<u>\$ 78,051</u>	<u>\$ 27,393</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>For the Years Ended June 30:</u>	<u>Electric</u>	<u>Water</u>
2021	\$ 24,048	\$ 5,539
2022	24,048	5,539
2023	24,048	5,539
2024	24,048	5,539
2025	24,048	5,539
Thereafter	76,080	22,963
Total	<u>\$ 196,320</u>	<u>\$ 50,658</u>

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

NOTE 9 - RISK MANAGEMENT

The City of LaFollette and its funds purchase commercial insurance and participate in the Tennessee Municipal League Public Entity Partners (PEP) to handle risks arising from workers' compensation, torts, asset theft, damage or destruction, errors or omissions, or acts of God, whereby these risks are transferred to the PEP and/or insurance company. Insurance coverage is virtually the same as in prior years, with no major changes. Settled claims have not exceeded the insurance coverage limits in any of the past three fiscal years.

Coverage through the PEP will pay all damage claims and defend the City of LaFollette and its funds in any damage suit that is included in the coverage, up to the policy's applicable limits, at the Pool's expense. This includes any other necessary costs relating to the defense. The City of LaFollette and its funds have the responsibility of following any reporting requirements, including timely reporting on any incidents which might result in a damage claim. The City of LaFollette and its funds are to do everything necessary to protect the rights of recovery of the PEP and enforcement of these rights by complying with all terms of the policy.

NOTE 10 - CONTINGENCIES

Various claims and lawsuits are pending against the City and its funds. In the opinion of management, the potential loss on these claims and lawsuits will not be significant to the City's financial statements.

NOTE 11 - COMMITMENTS

The Electric Department and the Water Department periodically enter into work plans for various system improvements. As of June 30, 2020, the Electric Department and the Water Department have approximately \$1,898,000 and \$235,000, respectively in contractual construction commitments.

NOTE 12 - LEASE OF HOSPITAL FACILITIES

In 2011, the City entered into an agreement with Mercy Health Partners, Inc. (successor in interest to St. Mary's Health Systems, Inc.) to assign the lease of the hospital facilities to Campbell County HMA, LLC, a subsidiary of Health Management Associates, Inc. (HMA).

The agreement requires HMA to remit \$300,000 per year to the City for 8 years and the City is required to hold these funds and any related earnings thereon in an escrow account until either: (1) HMA constructs additional healthcare facilities and requests reimbursement from the escrowed funds, or (2) upon termination of the lease without construction of additional healthcare facilities by HMA, the City will be allowed to release the funds from escrow and utilize them for City government purposes. As of June 30, 2020, the City held \$2,517,443 in the escrow account, which is shown as restricted cash and deferred inflows of resources in the statement of net position and in the general fund balance sheet.

NOTE 13 - CAPITAL CONTRIBUTIONS

Water Department

Capital contributions in 2020 consist of contributions from the City of LaFollette totaling \$525,000 for a sewer system improvement project.

NOTE 14 - SUBSEQUENT EVENTS

In December 2020, the City approved the issuance of General Obligation Capital Outlay Note, Series 2020, totaling \$1,500,000. The note will bear interest at 2.090% and will mature February 2031. These funds will be used to finance capital projects.

Electric Department

In October 2020, the Board issued \$250,000 in Revenue Anticipation Notes, Series 2020. These notes will bear interest at 1.62% and have a final maturity of June 2025. These funds will be used to finance capital projects.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

CITY OF LAFOLLETTE

SCHEDULE OF CHANGES IN THE GOVERNMENTAL FUNDS NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS

Last Six Fiscal Years Ending June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service Cost	\$ 260,139	\$ 252,483	\$ 265,629	\$ 215,302	\$ 213,215	\$ 189,730
Interest	954,588	935,742	934,465	894,840	878,279	850,331
Changes of Benefit Terms	0	0	0	0	0	0
Differences between Actual and Expected Experience	93,274	(137,041)	(307,711)	125,278	(164,633)	(26,344)
Changes of Assumptions	0	0	313,514	0	0	0
Benefits Payment, Including Refunds of Employee Contributions	<u>(835,016)</u>	<u>(762,780)</u>	<u>(728,233)</u>	<u>(786,582)</u>	<u>(629,674)</u>	<u>(699,454)</u>
Net Change in Total Pension Liability	472,985	288,404	477,664	448,838	297,187	314,263
Total Pension Liability - Beginning	<u>13,324,095</u>	<u>13,035,691</u>	<u>12,558,027</u>	<u>12,109,189</u>	<u>11,812,002</u>	<u>11,497,739</u>
Total Pension Liability - Ending (a)	<u>\$ 13,797,080</u>	<u>\$ 13,324,095</u>	<u>\$ 13,035,691</u>	<u>\$ 12,558,027</u>	<u>\$ 12,109,189</u>	<u>\$ 11,812,002</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 308,832	\$ 296,801	\$ 282,489	\$ 277,044	\$ 257,236	\$ 242,516
Contributions - Employee	157,890	151,738	144,569	141,783	131,646	121,017
Net Investment Income	975,887	1,031,295	1,296,720	304,499	352,257	1,667,229
Benefit Payments, Including Refunds of Employee Contributions	(835,016)	(762,780)	(728,233)	(786,582)	(629,674)	(699,454)
Administrative Expense	<u>(7,966)</u>	<u>(8,330)</u>	<u>(7,187)</u>	<u>(6,438)</u>	<u>(4,284)</u>	<u>(3,360)</u>
Net Change in Plan Fiduciary Net Position	599,627	708,724	988,358	(69,694)	107,181	1,327,948
Plan Fiduciary Net Position - Beginning	<u>13,294,376</u>	<u>12,585,652</u>	<u>11,597,294</u>	<u>11,666,988</u>	<u>11,559,807</u>	<u>10,231,859</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 13,894,003</u>	<u>\$ 13,294,376</u>	<u>\$ 12,585,652</u>	<u>\$ 11,597,294</u>	<u>\$ 11,666,988</u>	<u>\$ 11,559,807</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (96,923)</u>	<u>\$ 29,719</u>	<u>\$ 450,039</u>	<u>\$ 960,733</u>	<u>\$ 442,201</u>	<u>\$ 252,195</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101%	100%	97%	92%	96%	98%
Covered Payroll	\$ 3,157,793	\$ 3,034,768	\$ 2,891,388	\$ 2,835,663	\$ 2,631,594	\$ 2,420,330
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-3%	1%	16%	34%	17%	10%

Notes: Changes of assumptions - In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

CITY OF LAFOLLETTE

**SCHEDULE OF GOVERNMENTAL FUNDS PENSION CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Seven Fiscal Years Ending June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 284,578	\$ 308,832	\$ 296,801	\$ 282,489	\$ 277,044	\$ 257,236	\$ 242,516
Contributions in Relation to the Actuarially Determined Contribution	<u>284,578</u>	<u>308,832</u>	<u>296,801</u>	<u>282,489</u>	<u>277,044</u>	<u>257,236</u>	<u>242,516</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 Covered Payroll	 \$ 2,909,796	 \$ 3,157,793	 \$ 3,034,768	 \$ 2,891,388	 \$ 2,835,663	 \$ 2,631,594	 \$ 2,420,330
Contributions as a Percentage of Covered Payroll	10%	10%	10%	10%	10%	10%	10%

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

Notes:

Valuation Date: Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2019 actuarial valuation.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period:	Varies by Year
Asset Valuation:	10-year smoothed within a 20% corridor to market value
Inflation:	2.50%
Salary Increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return:	7.25%, net of investment expense, including inflation
Retirement Age:	Pattern of retirement determined by experience study
Mortality:	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments:	2.25%

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

See Independent Auditor's Report.

CITY OF LAFOLLETTE

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND
RELATED RATIOS - GOVERNMENTAL ACTIVITIES

	Fiscal Years Ended June 30,	2020	2019	2018
Total OPEB Liability				
Service Cost	\$	96,088	\$ 83,350	\$ 78,101
Interest		47,051	39,055	39,233
Change in Assumptions		214,231	39,925	(30,076)
Benefit Payments		<u>(54,538)</u>	<u>(69,218)</u>	<u>(72,531)</u>
Net Change in Total OPEB Liability		302,832	93,112	14,727
Total OPEB Liability - Beginning		<u>1,125,632</u>	<u>1,032,520</u>	<u>1,017,793</u>
Total OPEB Liability - Ending	\$	<u><u>1,428,464</u></u>	\$ <u><u>1,125,632</u></u>	\$ <u><u>1,032,520</u></u>
Covered Payroll	\$	3,386,547	\$ 3,370,489	\$ 3,244,669
Total OPEB Liability as a Percentage of Covered Payroll		42%	33%	32%

Note: There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

CITY OF LAFOLLETTE

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS - ELECTRIC DEPARTMENT

	Fiscal Years Ended June 30,	2020	2019	2018
Total OPEB Liability				
Service Cost	\$	11,757	\$ 10,911	\$ 9,601
Interest		21,959	18,963	18,746
Change in Assumptions		188,698	17,674	(13,058)
Change in Proportion		0	29,326	0
Benefit Payments		<u>(34,467)</u>	<u>(52,994)</u>	<u>(45,432)</u>
Net Change in Total OPEB Liability		187,947	23,880	(30,143)
Total OPEB Liability - Beginning		<u>507,767</u>	<u>483,887</u>	<u>514,030</u>
Total OPEB Liability - Ending	\$	<u><u>695,714</u></u>	\$ <u><u>507,767</u></u>	\$ <u><u>483,887</u></u>
Covered Payroll	\$	5,047,087	\$ 4,609,398	\$ 4,545,881
Total OPEB Liability as a Percentage of Covered Payroll		14%	11%	11%

Note: There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

CITY OF LAFOLLETTE
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND
RELATED RATIOS - WATER DEPARTMENT

	Fiscal Years Ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$	5,039	\$ 4,675	\$ 4,945
Interest		9,411	8,127	9,657
Change in Assumptions		80,870	7,575	(6,726)
Change in Proportion		0	(29,326)	0
Benefit Payments		<u>(14,771)</u>	<u>(22,712)</u>	<u>(23,405)</u>
Net Change in Total OPEB Liability		80,549	(31,661)	(15,529)
Total OPEB Liability - Beginning		<u>217,614</u>	<u>249,275</u>	<u>264,804</u>
Total OPEB Liability - Ending	\$	<u><u>298,163</u></u>	\$ <u><u>217,614</u></u>	\$ <u><u>249,275</u></u>
 Covered Payroll	 \$	 2,163,038	 \$ 1,975,456	 \$ 2,341,817
 Total OPEB Liability as a Percentage of Covered Payroll		 14%	 11%	 11%

Note: There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

CITY OF LAFOLLETTE
SCHEDULE OF REQUIRED PENSION CONTRIBUTIONS
BOARD OF PUBLIC UTILITIES - ELECTRIC AND WATER DEPARTMENTS

A schedule of the Electric Department's required contributions for the NRECA pension plan for each of the ten most recent fiscal years is as follows:

Fiscal Year Ended June 30,	Required Contributions Made	Repayment of Contractual Liability	Total
2011	\$ 785,176	\$ 81,685	\$ 866,861
2012	747,444	81,685	829,129
2013	743,716	81,685	825,401
2014	793,156	81,685	874,841
2015	779,285	81,685	860,970
2016	789,138	81,685	870,823
2017	838,903	81,685	920,588
2018	859,172	82,698	941,870
2019	941,377	82,776	1,024,153
2020	863,416	82,861	946,277

A schedule of the Water Department's required contributions for the NRECA pension plan for each of the ten most recent fiscal years is as follows:

Fiscal Year Ended June 30,	Required Contributions Made	Repayment of Contractual Liability	Total
2011	\$ 336,504	\$ 35,008	\$ 371,512
2012	285,325	35,008	320,333
2013	318,735	35,008	353,743
2014	339,924	35,008	374,932
2015	401,450	35,008	436,458
2016	406,526	35,008	441,534
2017	432,162	35,008	467,170
2018	442,604	35,008	477,612
2019	403,447	35,008	438,455
2020	370,035	35,008	405,043

The increasing trend in required contributions shown above is due to both increases in covered payroll and increases in contribution rates from the NRECA.

SUPPLEMENTARY INFORMATION SECTION

CITY OF LAFOLLETTE
COMBINING BALANCE SHEETS- NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds				Total
	Drug Fund	State Street Aid Fund	Special Police Fund	Capital Projects Fund	
ASSETS					
Restricted Cash and Cash Equivalents	\$ 112,411	\$ 359,033	\$ 126,280	\$ 226	\$ 597,950
Accounts Receivable Other	1,784	0	0	0	1,784
Other Taxes and Nonexchange Revenue	0	20,615	1,764	0	22,379
TOTAL ASSETS	\$ 114,195	\$ 379,648	\$ 128,044	\$ 226	\$ 622,113
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 1,184	\$ 13,141	\$ 0	\$ 0	\$ 14,325
Fund Balances:					
Restricted	113,011	366,507	128,044	0	607,562
Unrestricted:					
Committed	0	0	0	226	226
Total Fund Balances	113,011	366,507	128,044	226	607,788
TOTAL LIABILITIES AND FUND BALANCES	\$ 114,195	\$ 379,648	\$ 128,044	\$ 226	\$ 622,113

See Independent Auditor's Report.

CITY OF LAFOLLETTE
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Special Revenue Funds				Total
	Drug Fund	State Street Aid Fund	Special Police Fund	Capital Projects Fund	
REVENUES					
Charges for Services	\$ 28,081	\$ 0	\$ 0	\$ 0	\$ 28,081
Grant Revenue and Local Allocations	0	0	0	526,010	526,010
State Highway and Street Funds - State Gasoline Tax	0	263,812	0	0	263,812
Interest Income and Other	701	2,519	923	0	4,143
Total Revenues	28,782	266,331	923	526,010	822,046
EXPENDITURES					
Current:					
Police Protection	28,547	0	12,512	0	41,059
Streets and Highways and General Public Works	0	248,711	0	0	248,711
Capital Outlay:					
Sanitation	0	0	0	525,956	525,956
Total Expenditures	28,547	248,711	12,512	525,956	815,726
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	235	17,620	(11,589)	54	6,320
OTHER FINANCING SOURCES (USES)					
Transfers In	16,133	0	25,178	0	41,311
Transfers Out	0	(40,000)	0	0	(40,000)
Net Other Financing Sources (Uses)	16,133	(40,000)	25,178	0	1,311
CHANGES IN FUND BALANCES	16,368	(22,380)	13,589	54	7,631
FUND BALANCES - BEGINNING OF YEAR	96,643	388,887	114,455	172	600,157
FUND BALANCES - END OF YEAR	\$ 113,011	\$ 366,507	\$ 128,044	\$ 226	\$ 607,788

CITY OF LAFOLLETTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - DRUG FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Charges for Services - Drug Fines and Seizures	\$ 12,000	\$ 12,000	\$ 28,081	\$ 16,081
Interest Income	0	0	701	701
Total Revenues	12,000	12,000	28,782	16,782
EXPENDITURES				
Current:				
Police Protection:				
General Purpose Equipment	8,500	16,500	16,759	(259)
Employee Education	2,000	2,000	782	1,218
Office Supplies	600	600	285	315
Clothing and Uniforms	10,000	10,000	488	9,512
Informant Payments and Other	17,900	17,900	9,533	8,367
Travel	1,000	1,000	700	300
Total Police Protection Expenditures	40,000	48,000	28,547	19,453
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,000)	(36,000)	235	36,235
OTHER FINANCING SOURCES				
Transfers from General Fund	8,700	8,700	16,133	7,433
CHANGES IN FUND BALANCES	(19,300)	(27,300)	16,368	43,668
FUND BALANCE - BEGINNING OF YEAR	96,643	96,643	96,643	0
FUND BALANCE - END OF YEAR	\$ 77,343	\$ 69,343	\$ 113,011	\$ 43,668

See Independent Auditor's Report.

CITY OF LAFOLLETTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - STATE STREET AID FUND
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Highway and Street Funds - State Gasoline Tax	\$ 250,000	\$ 250,000	\$ 263,812	\$ 13,812
Interest Income	0	0	2,519	2,519
Total Revenues	250,000	250,000	266,331	16,331
EXPENDITURES				
Current:				
Streets and Highways and General Public Works:				
Paving	25,000	25,000	23,193	1,807
Electricity	125,000	125,000	118,121	6,879
Crushed Stone	15,000	15,000	14,638	362
Sodium Chloride	6,500	6,500	1,550	4,950
Other	93,000	96,600	91,209	5,391
Total Expenditures	264,500	268,100	248,711	19,389
EXCESS OF REVENUES OVER EXPENDITURES	(14,500)	(18,100)	17,620	5,675
OTHER FINANCING SOURCES (USES):				
Transfer to General Fund	(40,000)	(40,000)	(40,000)	0
CHANGES IN FUND BALANCE	(54,500)	(58,100)	(22,380)	5,675
FUND BALANCE - BEGINNING OF YEAR	388,887	388,887	388,887	0
FUND BALANCE - END OF YEAR	\$ 334,387	\$ 330,787	\$ 366,507	\$ 35,720

CITY OF LAFOLLETTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL POLICE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Interest Income	\$ 0	\$ 0	\$ 923	\$ 923
EXPENDITURES				
Current:				
Police Protection:				
Equipment	6,500	6,500	8,779	(2,279)
Other	15,500	15,500	3,733	11,767
Total Police Protection Expenditures	<u>22,000</u>	<u>22,000</u>	<u>12,512</u>	<u>9,488</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(22,000)	(22,000)	(11,589)	10,411
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	<u>22,000</u>	<u>22,000</u>	<u>25,178</u>	<u>3,178</u>
CHANGES IN FUND BALANCE	0	0	13,589	13,589
FUND BALANCE - BEGINNING OF YEAR	<u>114,455</u>	<u>114,455</u>	<u>114,455</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 114,455</u>	<u>\$ 114,455</u>	<u>\$ 128,044</u>	<u>\$ 13,589</u>

CITY OF LAFOLLETTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Grant Revenues and Local Allocations	\$ 557,175	\$ 566,275	\$ 526,010	\$ 40,265
EXPENDITURES				
Capital Outlay:				
Sanitation - Sewer System Rehabilitation:				
Construction	437,500	446,600	455,156	(8,556)
Construction Inspection	25,000	25,000	25,000	0
Engineering Design	25,675	25,675	0	25,675
Grant Administration	21,500	21,500	19,000	2,500
Engineering Services	26,800	26,800	26,800	0
Other Costs	20,700	20,700	0	20,700
Total Expenditures	<u>557,175</u>	<u>566,275</u>	<u>525,956</u>	<u>40,319</u>
CHANGES IN FUND BALANCE	0	0	54	54
FUND BALANCE - BEGINNING OF YEAR	<u>172</u>	<u>172</u>	<u>172</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 172</u>	<u>\$ 172</u>	<u>\$ 226</u>	<u>\$ 54</u>

See Independent Auditor's Report.

CITY OF LAFOLLETTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>State / Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
Federal Awards				
U.S. Department of Justice				
U.S. Department of Justice Direct Assistance:				
Bulletproof Vest Partnership Program	16.607	N/A	\$ 0	\$ 1,033
Total U.S. Department of Justice			<u>0</u>	<u>1,033</u>
U.S. Department of Housing and Urban Development				
Passed-through Tennessee Department of Economic and Community Development:				
Community Development Block Grants	14.228	33004-86217	0	458,630
Total U.S. Department of Housing and Urban Development			<u>0</u>	<u>458,630</u>
U.S. Department of Transportation				
Passed-through Tennessee Department of Safety and Homeland Security:				
Alcohol Open Container Requirements	20.607	Z19THS151	0	4,806
Passed-through Tennessee Department of Transportation:				
Highway Planning and Construction	20.205	160033	0	69,765
Highway Planning and Construction	20.205	150163	0	150,291
Highway Planning and Construction	20.205	160136	0	8,000
Highway Planning and Construction	20.205	180002	0	23,124
Total CFDA Number 20.205			<u>0</u>	<u>251,180</u>
Total U.S. Department of Transportation			<u>0</u>	<u>255,986</u>
Institute of Museum and Library Services				
Passed-through Tennessee Office of the Secretary of State:				
Grants to States	45.310	(1)	0	295
Total Institute of Museum and Library Services			<u>0</u>	<u>295</u>
Total Federal Awards			<u>\$ 0</u>	<u>\$ 715,944</u>
State Financial Assistance				
Tennessee Department of Transportation				
Asset Enhancement Grant	N/A	160033		\$ 17,441
Total State Financial Assistance				<u>\$ 17,441</u>
Total Federal Awards and State Financial Assistance				<u>\$ 733,385</u>

(1) Information not available

The accompanying notes are an integral part of this schedule.
 See Independent Auditor's Report.

CITY OF LAFOLLETTE

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

For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of LaFollette (the "City") and is presented on modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Federal Financial Assistance. The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments. Assistance received directly from the Federal government is classified as direct assistance on the Schedule.

Pass-through Payments. Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs. The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the City were defined using a risk-based approach in accordance with Uniform Guidance.

Catalog of Federal Domestic Assistance. The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the Schedule.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COSTS

The City has elected not to use the 10% de minimis rate as allowed under Uniform Guidance.

NOTE 4 - CONTINGENCIES

The federal and state awards received by the government are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agency could make a claim for reimbursement.

CITY OF LAFOLLETTE

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY DIVISION - WATER AND WASTEWATER DIVISION

For the Year Ended June 30, 2020

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	\$ 4,565,402	\$ 2,081,328	\$ 6,646,730
Other Revenue	102,327	77,011	179,338
Total Operating Revenues	<u>4,667,729</u>	<u>2,158,339</u>	<u>6,826,068</u>
OPERATING EXPENSES:			
Water System	1,942,372	0	1,942,372
Wastewater System	0	850,800	850,800
Customer Accounting and Collection	324,753	114,353	439,106
General and Administrative	1,260,195	543,698	1,803,893
Depreciation	939,749	689,365	1,629,114
Total Operating Expenses	<u>4,467,069</u>	<u>2,198,216</u>	<u>6,665,285</u>
OPERATING INCOME (LOSS)	<u>200,660</u>	<u>(39,877)</u>	<u>160,783</u>
NONOPERATING REVENUES (EXPENSES):			
Interest Income	3,616	1,270	4,886
Interest Expense	(81,225)	(62,954)	(144,179)
Debt Insurance Costs	(19,438)	(6,830)	(26,268)
Total Nonoperating Revenues (Expenses)	<u>(97,047)</u>	<u>(68,514)</u>	<u>(165,561)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	103,613	(108,391)	(4,778)
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>525,000</u>	<u>525,000</u>
CHANGE IN NET POSITION	<u>\$ 103,613</u>	<u>\$ 416,609</u>	520,222
NET POSITION, BEGINNING OF YEAR			<u>25,852,745</u>
NET POSITION - END OF YEAR			<u>\$ 26,372,967</u>

See Independent Auditor's Report.

OTHER INFORMATION SECTION

CITY OF LAFOLLETTE
SCHEDULE OF LOANS AND CAPITAL LEASES
GOVERNMENTAL ACTIVITIES

June 30, 2020

	Tennessee Municipal Bond Fund Series 2010		Tennessee Municipal Bond Fund Series 2017		Capital Lease KS StateBank Breathing Apparatus		Capital Lease KS StateBank Fire Apparatus		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 171,000	\$ 2,514	\$ 143,000	\$ 30,685	\$ 18,830	\$ 3,603	\$ 32,117	\$ 8,862	\$ 364,947	\$ 45,664
2022	0	0	147,000	26,667	19,672	2,760	33,448	7,531	200,120	36,958
2023	0	0	152,000	22,536	20,552	1,880	34,835	6,145	207,387	30,561
2024	0	0	156,000	18,265	21,471	960	36,278	4,701	213,749	23,926
2025	0	0	160,000	13,881	0	0	37,782	3,197	197,782	17,078
2026	0	0	165,000	9,385	0	0	39,349	1,631	204,349	11,016
2027	0	0	169,000	4,750	0	0	0	0	169,000	4,750
	<u>\$ 171,000</u>	<u>\$ 2,514</u>	<u>\$ 1,092,000</u>	<u>\$ 126,169</u>	<u>\$ 80,525</u>	<u>\$ 9,203</u>	<u>\$ 213,809</u>	<u>\$ 32,067</u>	<u>\$ 1,557,334</u>	<u>\$ 169,953</u>

See Independent Auditor's Report.

**CITY OF LAFOLLETTE
BOARD OF PUBLIC UTILITIES - ELECTRIC DEPARTMENT**

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2020

	Series 2014A General Obligation Bonds 2.00% to 4.00%		Series 2015A General Obligation Refunding Bonds 2.00%		Series 2015B General Obligation Refunding Bonds 2.00% to 2.75%		Series 2017 General Obligation Bonds 2.00% to 3.25%		Series 2019 General Obligation Refunding Bonds 2.25% to 5.00%		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 220,000	\$ 116,650	\$ 1,490,000	\$ 59,600	\$ 270,000	\$ 66,276	\$ 390,000	\$ 235,962	\$ 800,000	\$ 493,250	\$ 3,170,000	\$ 971,738
2022	225,000	112,250	1,490,000	29,800	275,000	60,876	410,000	224,262	800,000	453,250	3,200,000	880,438
2023	225,000	107,750	0	0	280,000	55,376	420,000	211,962	1,135,000	413,250	2,060,000	788,338
2024	235,000	103,250	0	0	285,000	49,776	430,000	199,362	1,180,000	356,500	2,130,000	708,888
2025	240,000	97,963	0	0	290,000	44,076	440,000	190,762	1,195,000	297,500	2,165,000	630,301
2026	245,000	91,963	0	0	295,000	38,276	450,000	180,862	875,000	237,750	1,865,000	548,851
2027	250,000	85,838	0	0	300,000	32,081	460,000	170,738	910,000	194,000	1,920,000	482,657
2028	260,000	78,963	0	0	310,000	24,956	470,000	159,238	945,000	148,500	1,985,000	411,657
2029	265,000	71,813	0	0	315,000	17,206	485,000	147,488	975,000	101,250	2,040,000	337,757
2030	275,000	63,863	0	0	325,000	8,938	495,000	135,362	960,000	52,500	2,055,000	260,662
2031	280,000	54,925	0	0	0	0	510,000	121,750	315,000	23,700	1,105,000	200,375
2032	290,000	45,825	0	0	0	0	525,000	106,450	200,000	14,250	1,015,000	166,525
2033	300,000	35,675	0	0	0	0	540,000	90,700	200,000	9,750	1,040,000	136,125
2034	310,000	24,425	0	0	0	0	555,000	74,500	200,000	5,000	1,065,000	103,925
2035	320,000	12,800	0	0	0	0	575,000	57,850	0	0	895,000	70,650
2036	0	0	0	0	0	0	595,000	39,162	0	0	595,000	39,162
2037	0	0	0	0	0	0	610,000	19,826	0	0	610,000	19,826
	<u>\$ 3,940,000</u>	<u>\$ 1,103,950</u>	<u>\$ 2,980,000</u>	<u>\$ 89,400</u>	<u>\$ 2,945,000</u>	<u>\$ 397,839</u>	<u>\$ 8,360,000</u>	<u>\$ 2,366,236</u>	<u>\$ 10,690,000</u>	<u>\$ 2,800,450</u>	<u>\$ 28,915,000</u>	<u>\$ 6,757,875</u>

**CITY OF LAFOLLETTE
BOARD OF PUBLIC UTILITIES - WATER DEPARTMENT**

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2020

	2003 Series State Revolving Fund Loan Payable to TLDA at 0.71%		2006 Series State Revolving Fund Loan Payable to TLDA at 0.80%		2012 Series Rural Development Water & Sewer Revenue & Tax Bonds at 2.50%		2014A Series General Obligation Bonds 2.0% to 2.75%		2019 Series General Obligation Refunding Bonds 3.0% to 5.0%		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 54,845	\$ 2,031	\$ 400,800	\$ 32,076	\$ 34,452	\$ 40,008	\$ 40,000	\$ 6,900	\$ 200,000	\$ 72,250	\$ 730,097	\$ 153,265
2022	55,227	1,641	404,028	28,848	35,323	39,137	40,000	6,100	200,000	62,250	734,578	137,976
2023	55,621	1,247	407,268	25,608	36,216	38,243	40,000	5,300	200,000	52,250	739,105	122,648
2024	56,017	851	410,544	22,332	37,132	37,328	45,000	4,500	165,000	42,250	713,693	107,261
2025	56,416	452	413,832	19,044	38,071	36,389	45,000	3,488	160,000	34,000	713,319	93,373
2026	33,093	80	417,156	15,720	39,034	35,426	45,000	2,362	100,000	26,000	634,283	79,588
2027	0	0	420,504	12,372	40,021	34,439	45,000	1,238	100,000	21,000	605,525	69,049
2028	0	0	423,888	8,988	41,033	33,427	0	0	100,000	16,000	564,921	58,415
2029	0	0	427,284	5,592	42,071	32,389	0	0	100,000	11,000	569,355	48,981
2030	0	0	430,716	2,160	43,134	31,325	0	0	100,000	6,000	573,850	39,485
2031	0	0	35,872	0	44,225	30,234	0	0	100,000	3,000	180,097	33,234
2032	0	0	0	0	45,344	29,116	0	0	0	0	45,344	29,116
2033	0	0	0	0	46,490	27,969	0	0	0	0	46,490	27,969
2034	0	0	0	0	47,666	26,794	0	0	0	0	47,666	26,794
2035	0	0	0	0	48,871	25,588	0	0	0	0	48,871	25,588
2036	0	0	0	0	50,107	24,352	0	0	0	0	50,107	24,352
2037	0	0	0	0	51,374	23,085	0	0	0	0	51,374	23,085
2038	0	0	0	0	52,674	21,786	0	0	0	0	52,674	21,786
2039	0	0	0	0	54,006	20,454	0	0	0	0	54,006	20,454
2040	0	0	0	0	55,371	19,088	0	0	0	0	55,371	19,088
2041	0	0	0	0	56,772	17,688	0	0	0	0	56,772	17,688
2042	0	0	0	0	58,207	16,252	0	0	0	0	58,207	16,252
2043	0	0	0	0	59,679	14,780	0	0	0	0	59,679	14,780
2044	0	0	0	0	61,188	13,271	0	0	0	0	61,188	13,271
2045	0	0	0	0	62,736	11,724	0	0	0	0	62,736	11,724
2046	0	0	0	0	64,322	10,137	0	0	0	0	64,322	10,137
2047	0	0	0	0	65,949	8,511	0	0	0	0	65,949	8,511
2048	0	0	0	0	67,617	6,843	0	0	0	0	67,617	6,843
2049	0	0	0	0	69,327	5,133	0	0	0	0	69,327	5,133
2050	0	0	0	0	71,080	3,380	0	0	0	0	71,080	3,380
2051	0	0	0	0	72,877	1,582	0	0	0	0	72,877	1,582
2052	0	0	0	0	23,704	125	0	0	0	0	23,704	125
	<u>\$ 311,219</u>	<u>\$ 6,302</u>	<u>\$ 4,191,892</u>	<u>\$ 172,740</u>	<u>\$ 1,616,073</u>	<u>\$ 716,003</u>	<u>\$ 300,000</u>	<u>\$ 29,888</u>	<u>\$ 1,525,000</u>	<u>\$ 346,000</u>	<u>\$ 7,944,184</u>	<u>\$ 1,270,933</u>

See Independent Auditor's Report.

CITY OF LAFOLLETTE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Year Ended June 30, 2020

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2020
Governmental Activities:									
Notes Payable:									
<u>Payable through General Fund</u>									
General Obligation Capital Outlay Note	\$ 1,500,000	2.94%	10/27/10	10/01/20	\$ 337,000	\$ 0	\$ 166,000	\$ 0	\$ 171,000
General Obligation Capital Outlay Note	1,500,000	2.81%	04/12/17	03/01/27	<u>1,232,000</u>	<u>0</u>	<u>140,000</u>	<u>0</u>	<u>1,092,000</u>
Total Notes Payable through General Fund					<u>1,569,000</u>	<u>0</u>	<u>306,000</u>	<u>0</u>	<u>1,263,000</u>
Capital Lease Obligations:									
<u>Payable through General Fund</u>									
Breathing Apparatus	\$ 100,000	4.47%	12/06/18	08/01/23	100,000	0	19,475	0	80,525
Fire Apparatus	251,945	4.15%	04/25/19	08/01/25	<u>251,945</u>	<u>0</u>	<u>38,136</u>	<u>0</u>	<u>213,809</u>
Total Capital Lease Obligations through General Fund					<u>351,945</u>	<u>0</u>	<u>57,611</u>	<u>0</u>	<u>294,334</u>
Total Governmental Activities					<u>\$ 1,920,945</u>	<u>\$ 0</u>	<u>\$ 363,611</u>	<u>\$ 0</u>	<u>\$ 1,557,334</u>
Business-Type Activities									
Notes Payable									
<u>Payable through Electric Department</u>									
Public Building Authority of the City of Clarksville, Tennessee - Series 2004	\$ 8,538,600	Variable	5/24/2005	5/25/2025	\$ 3,004,729	\$ 0	\$ 0	\$ 3,004,729	\$ 0
Public Building Authority of the County of Montgomery, Tennessee - Series 2006	10,000,000	Variable	3/3/2008	5/25/2030	6,665,000	0	0	6,665,000	0
Public Building Authority of the City of Clarksville, Tennessee - Series 2008	1,829,500	Variable	10/31/2008	5/25/2031	<u>1,244,583</u>	<u>0</u>	<u>0</u>	<u>1,244,583</u>	<u>0</u>
Total Notes Payable through Electric Department					<u>10,914,312</u>	<u>0</u>	<u>0</u>	<u>10,914,312</u>	<u>0</u>
<u>Payable through Water Department</u>									
Public Building Authority of the City of Clarksville, Tennessee - Series 2003	\$ 1,000,000	Variable	12/29/2003	5/25/2023	260,000	0	0	260,000	0
Public Building Authority of the City of Clarksville, Tennessee - Series 2004	1,461,400	Variable	5/24/2005	5/25/2025	514,270	0	0	514,270	0
Public Building Authority of the City of Clarksville, Tennessee - Series 2008	1,670,500	Variable	10/31/2008	5/25/2031	1,136,417	0	0	1,136,417	0
Tennessee Local Development Authority State Revolving Fund - Series 2003	1,060,000	0.71%	6/23/2003	6/30/2026	365,663	0	54,444	0	311,219
Tennessee Local Development Authority State Revolving Fund - Series 2006	7,997,945	0.80%	6/25/2007	2/20/2030	<u>4,589,500</u>	<u>0</u>	<u>397,608</u>	<u>0</u>	<u>4,191,892</u>
Total Notes Payable through Water Department					<u>6,865,850</u>	<u>0</u>	<u>452,052</u>	<u>1,910,687</u>	<u>4,503,111</u>
Bonds Payable:									
<u>Payable through Electric Department</u>									
2014A General Obligation Bonds	\$ 9,075,000	2.0% to 4.0%	12/5/2014	3/1/2035	4,155,000	0	215,000	0	3,940,000
2015A General Obligation Refunding Bonds	5,990,000	2.00%	2/27/2015	3/1/2022	4,470,000	0	1,490,000	0	2,980,000
2015B General Obligation Refunding Bonds	4,225,000	2.0% to 2.75%	3/31/2015	3/1/2030	3,210,000	0	265,000	0	2,945,000
2017 General Obligation Bonds	8,360,000	2.0% to 3.25%	5/25/2017	3/1/2037	8,360,000	0	0	0	8,360,000
2019 General Obligation Refunding Bonds	11,740,000	2.25% to 5.00%	11/25/2019	3/1/2034	<u>0</u>	<u>11,740,000</u>	<u>1,050,000</u>	<u>0</u>	<u>10,690,000</u>
Total Bonds Payable through Electric Department					<u>20,195,000</u>	<u>11,740,000</u>	<u>3,020,000</u>	<u>0</u>	<u>28,915,000</u>
<u>Payable through Water Department</u>									
Rural Development Water and Sewer Revenue and Tax Bonds - Series 2012	\$ 1,825,000	2.50%	12/4/2012	6/30/2051	1,649,675	0	33,602	0	1,616,073
2014A General Obligations Bonds	500,000	2.0% to 2.75%	12/5/2014	3/1/2027	340,000	0	40,000	0	300,000
2019 General Obligation Refunding Bonds	1,725,000	3.0% to 5.0%	11/25/2019	3/1/2031	<u>0</u>	<u>1,725,000</u>	<u>200,000</u>	<u>0</u>	<u>1,525,000</u>
Total Bonds Payable through Water Department					<u>1,989,675</u>	<u>1,725,000</u>	<u>273,602</u>	<u>0</u>	<u>3,441,073</u>
Total Business-Type Activities					<u>\$ 39,964,837</u>	<u>\$ 13,465,000</u>	<u>\$ 3,745,654</u>	<u>\$ 12,824,999</u>	<u>\$ 36,859,184</u>

CITY OF LAFOLLETTE
SCHEDULE OF PROPERTY TAX INFORMATION
For the Year Ended June 30, 2020

CHANGES IN TAXES RECEIVABLE	<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Balance at Beginning of Year	\$ 0	\$ 2,022,906	\$ 2,022,906
Add: Fiscal Year 2020 Taxes Levied	1,970,841	0	1,970,841
Less: Taxes Collected	<u>0</u>	<u>(1,800,139)</u>	<u>(1,800,139)</u>
	1,970,841	222,767	2,193,608
Allowance for Uncollectible Accounts	<u>(114,327)</u>	<u>(186,701)</u>	<u>(301,028)</u>
Balance at End of Year	<u><u>\$ 1,856,514</u></u>	<u><u>\$ 36,066</u></u>	<u><u>\$ 1,892,580</u></u>

TAX ASSESSMENTS AND UNPAID BALANCES

<u>Tax Year</u>	<u>Assessed Value</u>	<u>Tax Rate Per \$100.00</u>	<u>Taxes Assessed</u>	<u>Adjustments, Collections, Releases and Abatements In Prior Years</u>	<u>Adjustments, Collections, Releases and Abatements In Current Year</u>	<u>Unpaid Balances</u>
2020	\$ 152,188,494	\$ 1.295	\$ 1,970,841	\$ 0	\$ 0	\$ 1,970,841
2019	140,743,938	1.295	1,822,634	0	1,663,730	158,904
2018	120,147,413	1.295	1,555,909	1,416,497	91,823	47,589
2017	120,273,205	1.295	1,557,538	1,524,719	29,240	3,579
2016	121,787,876	1.295	1,577,153	1,566,073	6,536	4,544
2015	119,176,911	1.295	1,543,341	1,539,527	768	3,046
2014	116,040,232	1.295	1,502,721	1,501,101	8	1,612
2013	114,700,541	1.295	1,485,372	1,481,835	44	3,493
2012	125,174,623	1.194	1,494,585	1,494,585	0	0
2011	119,397,990	1.194	1,425,612	1,425,612	0	0
2010	118,492,295	1.194	1,414,798	1,414,798	0	0
						<u><u>\$ 2,193,608</u></u>

Property taxes unpaid for periods prior to 2010 have been filed with the Campbell County Circuit Court Clerk.

See Independent Auditor's Report.

CITY OF LAFOLLETTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SOLID WASTE MANAGEMENT FUND
For the Year Ended June 30, 2020

	<u>Final Budget *</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES			
Interest Income	\$ 0	\$ 440	\$ 440
 EXPENDITURES			
Sanitation:			
Repair and Maintenance - Vehicle	2,000	0	2,000
Vehicle Parts and Supplies	<u>13,000</u>	<u>6,698</u>	<u>6,302</u>
Total Sanitation Expenditures	<u>15,000</u>	<u>6,698</u>	<u>8,302</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(15,000)</u>	 <u>(6,258)</u>	 <u>8,742</u>
 OTHER FINANCING SOURCES			
Transfer from General Fund	<u>15,000</u>	<u>15,000</u>	<u>0</u>
 CHANGES IN FUND BALANCE	 0	 8,742	 8,742
 FUND BALANCE - BEGINNING OF YEAR	 <u>43,915</u>	 <u>43,915</u>	 <u>0</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 43,915</u>	 <u>\$ 52,657</u>	 <u>\$ 8,742</u>

* There were no changes from the original budget to the final budget.

CITY OF LAFOLLETTE

SCHEDULES OF UTILITY RATES AND NUMBER OF CUSTOMERS

June 30, 2020

ELECTRIC DEPARTMENT

Residential - Schedule RS	
Customer Charge	\$ 20.13
Energy Charge Per kWh	0.10154
General Power - Schedule GSA	
Part 1	
Customer Charge	27.65
Energy Charge Per kWh	0.12363
Part 2	
Customer Charge	104.39
Demand Charges:	
First 50 kW	0.00
Excess Over 50 kW	17.11
Energy Charges:	
First 15,000 kWh	0.12433
Additional kWh	0.06667
Part 3	
Customer Charge	365.36
Demand Charges:	
First 1,000 kW	17.29
Next 1,500 kW	22.36
Energy Charge Per kWh	0.06667
Outdoor Lighting - Schedule LS	
Customer Charge	27.65
Energy Charge Per kWh	0.07312
General Power - Schedule GSB	
Customer Charge	1,500.00
Demand Charges:	
Onpeak	10.87
Excess Off-peak	5.21
Excess Over Contract	10.87
Energy Charge	
On peak	0.07842
Off-peak First 200 hours	0.05351
Off-peak Next 200 hours	0.01893
Off-peak Additional kWh	0.01552
General Power - Schedule GSC	
Customer Charge	1,500.00
Demand Charges:	
On peak	10.87
Excess Off-peak	4.60
Excess Over Contract	10.87

CITY OF LAFOLLETTE

SCHEDULES OF UTILITY RATES AND NUMBER OF CUSTOMERS (Continued)

June 30, 2020

ELECTRIC DEPARTMENT (Continued)

Energy Charge		
On peak	\$	0.07842
Off-peak First 200 hours		0.05351
Off-peak Next 200 hours		0.01893
Off-peak Additional kWh		0.01552
General Power - Schedule GSD		
Customer Charge		1,500.00
Demand Charges:		
On peak		10.87
Excess Off-peak		4.59
Excess Over Contract		10.87
Energy Charge		
On peak		0.07842
Off-peak First 200 hours		0.05351
Off-peak Next 200 hours		0.01779
Off-peak Additional kWh		0.01552
General Power - Schedule TDGSA		
Customer Charge		1,500.00
Demand Charges:		
On peak		10.95
Excess Off-peak		5.23
Excess Over Contract		10.95
Energy Charge		
On peak		0.09519
Off-peak First 200 hours		0.06170
Off-peak Next 200 hours		0.01922
Off-peak Additional kWh		0.01619

Customers - As of June 30, 2020 the total number of customers was 22,380.

CITY OF LAFOLLETTE

SCHEDULES OF UTILITY RATES AND NUMBER OF CUSTOMERS (Continued)

June 30, 2020

WATER DEPARTMENT

WATER CHARGES - WITHIN CITY LIMITS

First	1,500 Gallons	\$15.90 Minimum Monthly Bill
Next	8,500 Gallons	4.89 Per Thousand Gallons
Over	10,000 Gallons	3.93 Per Thousand Gallons

WATER CHARGES - OUTSIDE CITY LIMITS

First	1,500 Gallons	\$24.58 Minimum Monthly Bill
Next	8,500 Gallons	8.15 Per Thousand Gallons
Over	10,000 Gallons	6.54 Per Thousand Gallons

SEWER CHARGES - WITHIN CITY LIMITS

First	1,500 Gallons	\$30.36 Minimum Monthly Bill
Over	1,500 Gallons	6.50 Per Thousand Gallons

SEWER CHARGES - OUTSIDE CITY LIMITS

First	1,500 Gallons	\$37.42 Minimum Monthly Bill
Over	1,500 Gallons	10.42 Per Thousand Gallons

CUSTOMERS

As of June 30, 2020, the number of customers was as follows:

Water	10,057
Wastewater	3,555

**CITY OF LAFOLLETTE
BOARD OF PUBLIC UTILITIES – WATER DEPARTMENT**

AWWA WATER AUDIT REPORTING WORKSHEET

**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: **LaFollette Utilities Board (0000374)**

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.

WATER SUPPLIED

----- Enter grading in column 'E' and 'J' -----

Volume from own sources:	+	?	9	793.559	MG/Yr
Water imported:	+	?	9	0.000	MG/Yr
Water exported:	+	?	10	0.000	MG/Yr

WATER SUPPLIED: **785.702** MG/Yr

Master Meter and Supply Error Adjustments

Pont:	+	?	7	1.00%	MG/Yr
Value:					

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

AUTHORIZED CONSUMPTION

Billed metered:	+	?	10	425.749	MG/Yr
Billed unmetered:	+	?	10	0.000	MG/Yr
Unbilled metered:	+	?	9	99.746	MG/Yr
Unbilled unmetered:	+	?	?	9.821	MG/Yr

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

AUTHORIZED CONSUMPTION: **535.316** MG/Yr

Click here: ? for help using option buttons below

Pont: **1.25%** Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pont: **0.25%** Value: MG/Yr

5.00% MG/Yr

0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) **250.386** MG/Yr

Apparent Losses

Unauthorized consumption:	+	?	?	1.964	MG/Yr
---------------------------	---	---	---	-------	-------

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

Customer metering inaccuracies:	+	?	9	27.658	MG/Yr
Systematic data handling errors:	+	?	?	1.064	MG/Yr

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

Apparent Losses: **30.686** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **219.700** MG/Yr

WATER LOSSES: **250.386** MG/Yr

Pont: **0.25%** Value: MG/Yr

5.00% MG/Yr

0.25% MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **359.953** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+	?	9	355.0	miles
Number of <u>active AND inactive</u> service connections:	+	?	9	10,208	conn./mile main
Service connection density:	+	?	?	29	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: Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 125.0 psi

COST DATA

Total annual cost of operating water system:	+	?	10	\$4,467,069	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	10	\$13.04	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	10	\$579.15	\$/Million gallons

Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 89 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

See Independent Auditor's Report.

CITY OF LAFOLLETTE
BOARD OF PUBLIC UTILITIES – WATER DEPARTMENT
AWWA WATER AUDIT REPORTING WORKSHEET (Continued)

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: LaFollette Utilities Board (0000374) Reporting Year: <input type="text" value="2020"/> <input type="text" value="7/2019 - 6/2020"/>		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 89 out of 100 ***		
System Attributes:		
	Apparent Losses: <input type="text" value="30.686"/> MG/Yr + Real Losses: <input type="text" value="219.700"/> MG/Yr = Water Losses: <input type="text" value="250.386"/> MG/Yr	
	? Unavoidable Annual Real Losses (UARL): <input type="text" value="157.49"/> MG/Yr Annual cost of Apparent Losses: <input type="text" value="\$400,149"/> Annual cost of Real Losses: <input type="text" value="\$127,239"/> 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: <input type="text" value="45.8%"/> { Non-revenue water as percent by cost of operating system: <input type="text" value="12.9%"/>	Real Losses valued at Variable Production Cost
Operational Efficiency:	{ Apparent Losses per service connection per day: <input type="text" value="8.24"/> gallons/connection/day { Real Losses per service connection per day: <input type="text" value="N/A"/> gallons/connection/day { Real Losses per length of main per day*: <input type="text" value="1,695.54"/> gallons/mile/day { Real Losses per service connection per day per psi pressure: <input type="text" value="N/A"/> gallons/connection/day/psi	
	From Above, Real Losses = Current Annual Real Losses (CARL): <input type="text" value="219.70"/> million gallons/year ? Infrastructure Leakage Index (ILI) [CARL/UARL]: <input type="text" value="1.40"/>	
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

COMPLIANCE SECTION



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TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

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

Mayor and City Council
City of LaFollette
LaFollette, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the City of LaFollette Emergency Communications District, which is presented as a discretely presented component unit, each major fund, and the aggregate remaining fund information, and the budgetary comparison statement for the general fund of the City of LaFollette as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of LaFollette's basic financial statements, and have issued our report thereon dated , 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of LaFollette's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of LaFollette's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of LaFollette'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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Of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of LaFollette's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
January 8, 2021

CITY OF LAFOLLETTE
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2020

Financial Statement Findings:

There were no findings reported in the prior year.

Federal Award Findings and Questioned Costs:

There were no prior year Federal Award Findings and Questioned Costs reported.

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

**CITY OF LAFOLLETTE, TENNESSEE
BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2021

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
(An Enterprise Fund of the City of LaFollette, Tennessee)**

LaFollette, Tennessee

FINANCIAL STATEMENTS

June 30, 2021 and 2020



**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

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INTRODUCTORY SECTION

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
ROSTER OF OFFICIALS
June 30, 2021**

Joseph H. (J.H.) Willoughby	Board of Directors – Chair
Janice Walker	Board of Directors – Vice Chair
David Longmire	Board of Directors – Secretary/Treasurer
C. Boyd Henegar	Board of Directors – Member
John Snodderly	Board of Directors – Member
Walter (Kenny) Baird, Jr.	General Manager

FINANCIAL SECTION



PUGH & COMPANY, P.C.
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners and Senior Management
City of LaFollette - Board of Public Utilities -
Electric Department
LaFollette, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the City of LaFollette - Board of Public Utilities - Electric Department, an enterprise fund of the City of LaFollette, Tennessee, which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of LaFollette - Board of Public Utilities - Electric Department, as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Of Certified Public Accountants

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of LaFollette - Board of Public Utilities - Electric Department, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities of the City of LaFollette, Tennessee that is attributable to the transactions of the Electric Department. They do not purport to, and do not, present fairly the financial position of the City of LaFollette, Tennessee as of June 30, 2021 and 2020, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11, schedule of required pension contributions on page 31 and schedule of changes in total OPEB liability and related ratios on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the City of LaFollette - Board of Public Utilities - Electric Department. The introductory section and the other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the supplementary information section as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of the City of LaFollette - Board of Public Utilities - Electric Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of LaFollette - Board of Public Utilities - Electric Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of LaFollette - Board of Public Utilities - Electric Department's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
October 27, 2021

**CITY OF LAFOLLETTE – BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

Fiscal Years Ending June 30, 2021 and 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

The City of LaFollette – Board of Public Utilities (LUB) is a political subdivision of the City of LaFollette, Tennessee. LUB’s responsibility is to oversee the purchase, production, distribution and processing of electricity, water and wastewater services. The Electric Department provides services to certain customers in Campbell County and in the surrounding counties of Claiborne and Union in East Tennessee. The Electric Department purchases its entire supply of electrical power from the Tennessee Valley Authority (TVA) under the terms of an all-requirements contract with a 20-year rolling termination date.

The Electric Department’s discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Electric Department’s financial activity, and (c) identify major changes in the Electric Department’s financial position.

The Electric Department’s Management Discussion and Analysis (MD&A) focuses on the fiscal years ending June 30, 2021 and activities, resulting changes and current known facts, and should be read in conjunction with the Electric Department’s financial statements.

ELECTRIC DEPARTMENT HIGHLIGHTS

Financial Highlights

- The Electric Department’s net position increased \$2,381,246 or 6% in fiscal year 2021.
- During 2021, operating revenue increased \$883,988 or 2%. Purchased power expense decreased \$558,996 or 2%. Margin on power sales (operating revenue less purchased power expense) increased \$1,442,984 or 8%.
- Operating expenses (excluding purchased power expense) increased \$509,764 or 4%.
- Interest and dividend income decreased \$56,116 or 85%.
- Interest expense decreased \$46,695 or 5%.
- Capital assets, net of depreciation, increased \$2,551,898 or 4%.
- Long-term debt represented 40% of the Electric Department’s capital structure, compared to 43% last year. Capital structure equals long-term debt (including the current portion of bonds due to be retired next fiscal year) plus net position.
- The Electric Department’s maximum debt service requirement is \$4,157,344 (fiscal year 2022).

Electric Department Highlights

- Completed distribution system improvements and line upgrades throughout the Electric Department’s service territory. LUB continues to strive to upgrade distribution facilities according to a long-range capital improvements plan based on engineering and operations studies. A new system study and system model update has recently been completed by a consulting engineering firm.
- Completed several general plant improvements during the year. Recently completed construction on new office space for administration, accounting, engineering, and information technology.
- Purchased several old buildings and a parking lot adjacent to the new administration building. Recently completed basic improvements of those properties. Buildings will be used mostly for warehouse space.

LUB, ELECTRIC DEPARTMENT, FINANCIAL STATEMENTS

The Electric Department's financial performance is reported under three basic financial statements: the balance sheets; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

Balance Sheet

The Electric Department reports its assets, liabilities, and net position in the balance sheets. Assets are classified as current, restricted, capital assets, or other non-current assets.

Liabilities are classified as current or non-current (which includes long-term debt.) Net position is classified as net investment in capital assets, restricted for debt service or unrestricted.

Deferred outflows and inflows of resources are reported separately on the balance sheet and represent consumption or acquisition of net position that applies to a future period.

Net investment in capital assets reflects the book value of all capital assets less the outstanding balances of debt used to acquire, construct or improve those assets.

Net position restricted for debt service reflects amounts deposited in the debt service reserve funds net of accrued interest payable that will be paid out of those funds in the future.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statements of Revenues, Expenses and Changes in Net Position

The Electric Department reports its revenues and expenses (both operating and non-operating) on the statements of revenues, expenses and changes in net position. In addition, any capital contributions (funds received from grants, developers, etc. to fund capital projects) and associated write-downs of plant are reported on these statements.

Total revenue less total expenses and transfers equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the balance sheets.

Statements of Cash Flows

The Electric Department reports cash flows from operating activities, investing activities and noncapital and capital and related financing activities on the statements of cash flows. These statements tell the user the Electric Department's sources of cash and what the Electric Department did with its cash during the reporting period.

The statements indicate the Electric Department's beginning cash balance and ending cash balance and the means by which it was either increased or decreased during the reporting period. The statements also reconcile cash flow to operating income as it appears on the statements of revenues, expenses and changes in net position.

CONDENSED FINANCIAL STATEMENTS

Balance Sheets

The following table reflects the condensed balance sheets for the Electric Department:

Balance Sheets			
As of June 30			
(\$ in thousands)			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 10,028	\$ 11,054	\$ 12,269
Capital Assets, Net	<u>72,979</u>	<u>70,427</u>	<u>68,851</u>
Total Assets	83,007	81,481	81,120
Deferred Outflows of Resources	<u>209</u>	<u>258</u>	<u>126</u>
Total Assets and Deferred Outflows of Resources	<u>83,216</u>	<u>81,739</u>	<u>81,246</u>
Current and Other Liabilities	14,964	13,962	13,920
Long-Term Debt, Net	<u>25,531</u>	<u>27,620</u>	<u>28,500</u>
Total Liabilities	40,495	41,582	42,420
Deferred Inflows of Resources	<u>191</u>	<u>9</u>	<u>11</u>
Total Liabilities and Deferred Inflows of Resources	<u>40,686</u>	<u>41,591</u>	<u>42,431</u>
Net Position:			
Net Investment in Capital Assets	44,960	41,343	40,492
Unrestricted	<u>(2,430)</u>	<u>(1,195)</u>	<u>(1,677)</u>
Total Net Position	<u>\$ 42,530</u>	<u>\$ 40,148</u>	<u>\$ 38,815</u>

Normal Impacts on Balance Sheets

The following is a description of activities which will normally impact the comparability of the balance sheets presentation.

- Change in net position (from statements of revenues, expenses and change in net position): impacts (increase/decrease) current and other assets and/or capital assets and unrestricted net position.
- Issuing debt for capital: increases current and other assets and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt and (b) reduces unrestricted net position and increases net investment in capital assets.
- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Current Year Impacts and Analysis

- During 2021, current and other assets decreased \$1,026,710 or 9%. The Electric Department's cash and cash equivalents decreased \$387,733 or 13%. During 2020, current and other assets decreased \$1,214,032 or 10%.
- Capital assets increased \$2,551,898 or 4% in 2021 and increased \$1,575,636 or 2% in 2020. Capital asset additions during the current year included various distribution system improvements, substation upgrade projects, and vehicle and equipment purchases.
- Deferred outflows of resources decreased \$48,542 or 19% in 2021 due to amortization of the deferred amount on refunding of bonds. Deferred Outflows increased \$131,746 or 105% in 2020 due to the impact of a change in assumptions on Other Postemployment Benefits (OPEB) offset by amortization of the deferred amount on refunding of bonds.
- Deferred inflows of resources increased \$181,486 in 2021 as a result of a deferred gain on debt refunding. Deferred inflows of resources decreased \$1,539 in 2020 as a result of changes in actuarial assumptions for OPEB.
- Current and other liabilities increased \$1,002,885 or 7% in 2021 compared to an increase of \$42,350 or less than 1% in 2020.
- Long-term debt decreased \$2,088,971 or 8% in 2021. Long-term debt retired this fiscal year was \$9,615,000, and \$6,395,000 was refunded with the issuance of new bonds for \$7,380,000. In 2020, long-term debt decreased \$880,708 or 3%, and long-term debt retired in the prior fiscal year was \$3,020,000.
- During 2021, net investment in capital assets increased \$3,616,915 or 9%. Unrestricted net position decreased \$1,235,669 or 103%. During 2020, net investment in capital assets increased \$851,229 or 2%. Unrestricted net position increased \$482,018 or 29%.

Statements of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed statements of revenues, expenses and changes in net position for the Electric Department:

Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30

	(\$ in thousands)		
	2021	2020	2019
Operating Revenue	\$ 49,206	\$ 48,322	\$ 50,300
Less: Purchased Power Expense	30,628	31,187	33,472
Margin from Sales	18,578	17,135	16,828
Operating Expenses:			
Distribution, Customer Accounts and Sales Expenses	3,421	3,456	3,464
General and Administrative	3,304	3,472	3,322
Maintenance of Distribution Plant	2,696	2,148	2,469
Maintenance of General Plant	134	136	147
Depreciation	3,856	3,705	3,603
Taxes	695	680	685
Total Operating Expenses	14,106	13,597	13,690
Operating Income	4,472	3,538	3,138
Interest and Dividend Income	10	66	132
Gain (Loss) on Investments, Net	0	0	2
Interest Expense	(815)	(862)	(852)
Debt Issuance Costs	(2)	(160)	0
Transfers to City of LaFollette - In-Lieu-of-Taxes	(1,283)	(1,249)	(1,293)
Change in Net Position	\$ 2,382	\$ 1,333	\$ 1,127

Normal Impacts on Statements of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the statements of revenues, expenses and changes in net position presentation.

- Operating revenue is largely determined by volume of electric power sales for the fiscal year. Any change (increase/decrease) in retail electric rates would also be a cause of a change in operating revenue.
- Purchased power expense is determined by volume of power purchases from TVA for the fiscal year. Also, any change (increase/decrease) in TVA wholesale electric rates would result in a change in purchased power expense.
- Operating expenses (distribution, customer accounts and sales, general and administrative, maintenance of distribution plant and maintenance of general plant) are normally impacted by changes in areas including but not limited to labor cost (staffing, wage rates), group health insurance costs, and overhead line maintenance (tree trimming, pole inspection, etc.)
- Depreciation expense is impacted by plant additions and retirements during the fiscal year.
- Taxes and equivalents are impacted by plant additions/retirements, changes in tax equivalent payments to the City of LaFollette, and gross margin levels.
- Interest income is impacted by the levels of interest rates and investments.
- Interest expense on debt is impacted by the levels of outstanding debt and the interest rate(s) on the outstanding debt.

Current Year Impacts and Analysis

- Operating revenue increased \$883,988 or 2% for the fiscal year ending June 30, 2021. Operating revenue decreased \$1,977,426 4% for the fiscal year ending June 30, 2020, the result of COVID-19 closing business for several months in 2020 .
- Purchased power expense decreased \$558,996 or 2% in 2021 and decreased \$2,285,313 or 7% in 2020.
- Margin on power sales (operating revenue less purchased power expense) increased \$1,442,984 or 8% compared to 2020. Change in prior year was an increase of \$307,887 or 2%.
- Operating expenses (excluding purchase power expense) increased \$509,764 or 4% from last fiscal year, compared to a decrease of \$91,684 or 1% in 2020.
 - Distribution, customer accounts and sales expenses decreased \$35,549 or 1% in 2021 and decreased \$7,722 or less than 1% in 2020.
 - General and administrative expenses decreased \$167,114 or 5% in 2021 and increased \$150,478 or 5% in 2020.
 - Maintenance of distribution plant increased \$548,868 or 26% in 2021 and decreased \$321,211 or 13% in 2020.
 - Maintenance of general plant decreased \$2,426 or 2% in 2021 and decreased \$11,079 or 8% in 2020.
 - Depreciation expense increased \$150,349 or 4% in 2021 and increased \$102,947 or 3% in 2020.
 - Taxes increased \$15,636 or 2% in 2021 and decreased \$5,097 or 1% in 2020.
- Interest and dividend income decreased \$56,116 or 85% in 2021 and decreased \$66,704 in 2020. Change from prior year is due to closing of all investments in prior year.
- Interest expense decreased \$46,695 or 5% in 2021 and increased \$9,120 or 1% in 2020. Current year change is due to lower interest costs due to debt retirements and restructures during the year.
- Debt issuance costs for 2021 were \$2,000 or 99% decrease from 2020. Debt issuance costs in 2021 were recorded as a regulatory asset.
- Net gain on investments was \$0 in 2021 compared to net gain \$425 in 2020. Current year change due to the closing of all investments in the prior year.
- Transfers to the City of LaFollette for in-lieu-of-taxes increased \$33,325 or 3% in 2021 and decreased \$44,175 or 3% in 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021 , the Electric Department had \$72,978,778 invested in a variety of capital assets, as reflected in the schedule below, which represents a net increase (including additions, retirements, and depreciation) of \$2,551,898 or 4% over the end of 2020. As of June 30, 2020 , investment in capital assets was \$70,426,880 which represented a net increase (including additions, retirements, and depreciation) of \$1,575,636 or 2% over the end of 2019.

**Capital Assets
As of June 30
(Net of Depreciation)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land and Land Rights	\$ 1,135,508	\$ 1,075,346	\$ 1,075,346
Structures and Improvements	4,218,533	3,844,302	3,944,258
Poles, Towers and Transmission Assets	49,475,395	48,744,190	48,522,027
Street Lighting Systems	1,580,134	1,513,204	1,241,958
Equipment, Furniture and Fixtures	13,210,346	14,080,457	11,976,853
Construction Work in Progress	3,358,862	1,169,381	2,090,802
Total Net Capital Assets	<u>\$ 72,978,778</u>	<u>\$ 70,426,880</u>	<u>\$ 68,851,244</u>

Major capital asset additions during the year were as follows:

Nearing completion on a new administration and engineering building that will be occupied by the end of September 2021.

Debt Outstanding

As of June 30, 2021 and 2020, the Electric Department had \$26,680,000 and \$28,915,000 in debt outstanding, a decrease of \$2,235,000 or 8% in 2021 and an decrease of \$2,194,312 or 7% in 2020. The Series 2021 General Obligation Refunding Bonds were issued during the current year resulting in \$1,052,930 in new money to the Electric Department while refunding older series during the year. The Electric Department also issued a revenue anticipation note, which resulted in \$250,000 in new money.

The following is a schedule of the Electric Department's outstanding debt as of June 30, 2021, 2020 and 2019:

**Outstanding Debt
As of June 30**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Obligation Bonds	\$ 26,480,000	\$ 28,915,000	\$ 20,195,000
Revenue Anticipation Notes	200,000	0	0
Tennessee Municipal Bond Fund Loans	0	0	10,914,312
Total Outstanding Debt	<u>\$ 26,680,000</u>	<u>\$ 28,915,000</u>	<u>\$ 31,109,312</u>

IMPACTS ON FUTURE FINANCIAL POSITION

The Electric Department has experienced moderate growth of approximately 1.1% in electric customers over the course of the past fiscal year. Capital improvement plans have been completed for projects to be completed over the next 15 to 20 fiscal years, with plans underway to issue bonds to fund a new electric substation and several miles of power line upgrade projects.

In October 2020, the Board approved the issuance of revenue anticipation notes totaling \$250,000. The notes bear interest at a rate of 1.620% and have a final maturity of 2025. These funds were used to acquire buildings and property adjacent to the new administration and engineering buildings. The notes closed on October 20, 2020.

In March 2021, the City approved the issuance of general obligation refunding bonds for the Board, totaling \$8,950,000, of which \$7,130,000 was for the Electric Department. The serial bonds bear interest at rates from 2.0% to 3.0%, with a true interest cost after bond premium of 1.512%, having a final maturity of 2038. These funds were used to refinance all the 2014A and 2015B general obligation bonds, as well as adding funds to finance capital expenditures relating to recent building acquisitions. The bond issuance closed on March 18, 2021.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Electric Department's financial position or results of operations during fiscal year 2022.

FINANCIAL CONTACT

The Electric Department's financial statements are designed to present users (citizens, customers, investors and creditors) with a general overview of the Electric Department's financial position and results of operations for the fiscal years ending June 30, 2021 and June 30, 2020. If you have questions about the statements or need additional financial information, contact LUB's General Manager at 302 North Tennessee Avenue, LaFollette, Tennessee 37766.

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
BALANCE SHEETS**

	As of June 30,	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$	2,561,378	\$ 2,949,111
Accounts Receivable - Customers, Net		4,581,632	4,762,583
Materials and Supplies		1,458,766	1,264,885
Prepaid Items and Other Current Assets		<u>375,334</u>	<u>349,488</u>
Total Current Assets		<u>8,977,110</u>	<u>9,326,067</u>
NONCURRENT ASSETS:			
Restricted Assets:			
Restricted Cash		833,267	1,728,547
Debt Issuance Costs		217,527	0
Capital Assets, Net		<u>72,978,778</u>	<u>70,426,880</u>
Total Noncurrent Assets		<u>74,029,572</u>	<u>72,155,427</u>
TOTAL ASSETS		<u>83,006,682</u>	<u>81,481,494</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Bond Refunding Losses		20,882	52,205
Deferred Outflows - Other Postemployment Benefits (OPEB)		<u>188,334</u>	<u>205,553</u>
Total Deferred Outflows of Resources		<u>209,216</u>	<u>257,758</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	<u><u>83,215,898</u></u>	\$ <u><u>81,739,252</u></u>

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

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
BALANCE SHEETS (Continued)**

	As of June 30,	<u>2021</u>	<u>2020</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
CURRENT LIABILITIES:			
Accounts Payable	\$	6,593,423	\$ 5,712,833
Accrued Interest Payable		284,638	323,913
Current Portion of Customer Deposits		450,261	386,573
Current Portion of Accrued Compensated Absences		430,166	435,619
Current Portion of Retirement Plan Payable		83,050	82,952
Current Maturities of Long-Term Debt		<u>3,225,000</u>	<u>3,170,000</u>
Total Current Liabilities		<u>11,066,538</u>	<u>10,111,890</u>
NONCURRENT LIABILITIES:			
Customer Deposits - Long-Term		2,094,425	2,041,422
Accrued Compensated Absences - Long-Term		898,971	813,948
Retirement Plan Payable - Long-Term		216,055	299,106
Total OPEB Liability		688,976	695,714
Long-Term Debt, Net		<u>25,530,608</u>	<u>27,619,579</u>
Total Noncurrent Liabilities		<u>29,429,035</u>	<u>31,469,769</u>
TOTAL LIABILITIES		<u>40,495,573</u>	<u>41,581,659</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Gain on Debt Refunding		183,025	0
Deferred Inflows - OPEB		<u>7,694</u>	<u>9,233</u>
Total Deferred Inflows of Resources		<u>190,719</u>	<u>9,233</u>
Total Liabilities and Deferred Inflows		<u>40,686,292</u>	<u>41,590,892</u>
NET POSITION:			
Net Investment in Capital Assets		44,960,349	41,343,434
Unrestricted		<u>(2,430,743)</u>	<u>(1,195,074)</u>
Total Net Position		<u>42,529,606</u>	<u>40,148,360</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$	<u><u>83,215,898</u></u>	\$ <u><u>81,739,252</u></u>

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

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Years Ended June 30,	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:			
Electricity (Net of Bad Debts of \$50,050 2021 and \$54,600 in 2020)	\$	47,858,136	\$ 47,001,814
Rents and Other Services		<u>1,348,131</u>	<u>1,320,465</u>
Total Operating Revenues		<u>49,206,267</u>	<u>48,322,279</u>
OPERATING EXPENSES:			
Cost of Sales - Purchased Power		30,628,080	31,187,076
Distribution, Customer Accounts and Sales Expenses		3,420,558	3,456,107
General and Administrative		3,305,122	3,472,236
Maintenance of Distribution Plant		2,696,442	2,147,574
Maintenance of General Plant		133,563	135,989
Depreciation		3,855,890	3,705,541
Taxes		<u>695,464</u>	<u>679,828</u>
Total Operating Expenses		<u>44,735,119</u>	<u>44,784,351</u>
OPERATING INCOME		<u>4,471,148</u>	<u>3,537,928</u>
NONOPERATING REVENUES (EXPENSES):			
Interest and Dividend Income		9,592	65,708
Gain (Loss) on Investments, Net		0	425
Interest Expense		(814,869)	(861,564)
Debt Issuance Costs		<u>(2,000)</u>	<u>(159,950)</u>
Net Nonoperating Expenses		<u>(807,277)</u>	<u>(955,381)</u>
INCOME BEFORE TRANSFERS		3,663,871	2,582,547
TRANSFERS TO CITY OF LAFOLLETTE - IN LIEU OF TAXES		<u>(1,282,625)</u>	<u>(1,249,300)</u>
CHANGE IN NET POSITION		2,381,246	1,333,247
NET POSITION - BEGINNING OF YEAR		<u>40,148,360</u>	<u>38,815,113</u>
NET POSITION - END OF YEAR	\$	<u><u>42,529,606</u></u>	\$ <u><u>40,148,360</u></u>

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

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
STATEMENTS OF CASH FLOWS**

	2021	2020
For the Years Ended June 30,		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Customers	\$ 48,155,778	\$ 47,404,582
Cash Receipts From Other Operations	1,348,131	1,320,465
Cash Paid to Employees	(7,916,510)	(7,678,135)
Cash Paid to Suppliers	(31,600,833)	(33,247,478)
Cash Payments For Taxes and Other Operations	(695,464)	(679,828)
Net Cash Provided by Operating Activities	9,291,102	7,119,606
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to City of LaFollette - In Lieu of Taxes	(1,282,625)	(1,249,300)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Plant Additions and Construction	(6,416,339)	(5,305,688)
Plant and Equipment Removal Costs, Net	8,551	24,511
(Increase) Decrease in Restricted Cash	895,280	915,432
Cash Proceeds From Long-Term Debt Borrowing	1,300,930	2,259,575
Repayment On Long-Term Debt	(3,220,000)	(3,020,000)
Interest On Long-Term Debt	(974,224)	(784,721)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(8,405,802)	(5,910,891)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales and Maturities of Investments	0	500,000
Interest on Cash and Cash Equivalents	9,592	65,708
Net Cash Provided by (Used in) Investing Activities	9,592	565,708
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(387,733)	525,123
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,949,111	2,423,988
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,561,378	\$ 2,949,111

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

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

STATEMENTS OF CASH FLOWS (Continued)

	For the Years Ended June 30,	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income		\$ <u>4,471,148</u>	\$ <u>3,537,928</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation (Net of Capitalized Depreciation of \$74,544 in 2021 and \$42,378 in 2020)		3,855,890	3,705,541
(Increase) Decrease in Assets:			
Accounts Receivable - Customers		180,951	291,562
Materials and Supplies		(193,881)	39,900
Prepaid Items and Other Current Assets		(25,846)	(7,314)
Deferred Outflows - OPEB		17,219	(163,071)
Increase (Decrease) in Liabilities:			
Customer Deposits		116,691	111,206
Accounts Payable		880,590	(686,919)
Accrued Compensated Absences		79,570	187,226
Retirement Plan Payable		(82,953)	(82,861)
Total OPEB Liability		(6,738)	187,947
Deferred Inflows - OPEB		<u>(1,539)</u>	<u>(1,539)</u>
Total Adjustments		<u>4,819,954</u>	<u>3,581,678</u>
Net Cash Provided by Operating Activities		<u>\$ <u>9,291,102</u></u>	<u>\$ <u>7,119,606</u></u>

Supplementary Schedule of Noncash Capital and Related Financing Activities:

Bonds Issued to Refund Previously Issued Loans	\$ 6,395,000	\$ 10,914,312
Debt Issuance Costs on Bonds Issued	\$ 225,481	\$ 159,950
Deferred Amount on Refunding of Bonds, Net	\$ 186,373	\$ 0
Amortization of Deferred Amount on Refunding	\$ 27,975	\$ 31,325
Amortization of Bond Premium	\$ 162,184	\$ 105,765
Gain (Loss) on Investments	\$ 0	\$ 425
Amortization of Debt Issuance Costs	\$ 5,954	\$ 0

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

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The City of LaFollette - Board of Public Utilities (the "Board") is a political subdivision of the City of LaFollette, Tennessee. The Board is comprised of the Electric Department and the Water Department, which are reported as separate enterprise funds of the City. The Electric Department operates under a board of commissioners and services the majority of Campbell County and portions of Claiborne and Union Counties. The Electric Department purchases its entire supply of electrical power from the Tennessee Valley Authority (TVA) under the terms of an all-requirements contract with a 20-year rolling termination date.

Basis of Presentation - The financial statements of the City of LaFollette - Board of Public Utilities - Electric Department have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

All activities of the Electric Department are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Electric Department is determined by its measurement focus. The transactions of the Electric Department are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets plus deferred outflows, net of total liabilities plus deferred inflows) are segregated into net investment in capital assets; restricted for capital assets activity and debt service; and unrestricted components.

Budgeting - The Electric Department adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Electric Department's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend capital contributions, grants, borrowings and certain revenues for capital projects. The Electric Department's budgets are not legally binding. During the year, management is authorized to transfer budgeted amounts between line items within the Electric Department's departments.

Revenues and Expenses - Revenues and expenses are recorded on the accrual basis in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Department are charges to customers for electricity. The Electric Department also recognizes as operating revenue rent from Electric Department property and other services. Operating expenses for the Electric Department include the cost of sales and services, administrative expenses, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Party and Interfund Activities - For economic purposes and convenience, certain expenses incurred by the Board are incurred jointly between the Electric Department and the Water Department. The joint expenses are incurred for the use of the building, management, customer services, meter reading / service technicians, sharing of transportation vehicles, office personnel, equipment, etc. For the years ended June 30, 2021 and 2020, expenses of the Electric Department and Water Department that cannot be directly attributed to the operations of each Department are allocated on a pro-rata basis based on the following:

	<u>Electric</u>	<u>Water</u>
Customer Ratio	69%	31%
Adjusted Customer Ratio	77%	23%
Equivalent Employee Ratio	70%	30%
Building	85%	15%
Meter Reading	43%	57%

Additionally, the Electric Department bills and collects water and wastewater charges for the Water Department. These funds are periodically transferred to the Water Department. Accounts receivable and payable between the Electric Department and Water Department represent operating cash advances related to the transfer of these funds and the allocation of expenses mentioned above. These receivables and payables are included on the balance sheet within Accounts Receivable - Customers, Net and Accounts Payable. As of June 30, 2021 and 2020, balances due from the Electric Department to the Water Department were \$403,753 and \$336,625, respectively.

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

Utility Plant - Utility plant and construction work in progress are stated at cost. Donated assets are valued at their estimated fair value on the date donated. The Electric Department defines a capital asset as an asset with an initial individual cost or a project with a cumulative total cost of more than \$2,500 and estimated useful life in excess of one year. Major renewals and improvements are charged to the plant account while replacements, maintenance, and repairs which do not improve or extend the life of the assets are expensed currently. Utility plant items are depreciated over their estimated useful lives on the straight-line group method. Depreciation on property and equipment used by the Electric Department is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided at a rate of 2% to 20% per year for the Electric Department property and equipment.

Deposits and Investments - The Electric Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Department has not formally adopted an investment policy and places no limit on the amount that may be deposited with any one issuer.

The Electric Department has no formal policy regarding interest rate risk. Deposits are structured in a manner that ensures sufficient cash is available to meet the anticipated liquidity needs. Selection of deposit maturities must be consistent with the cash requirements of the department in order to avoid the forced redemption of deposits prior to maturity.

As authorized by statutes of the State of Tennessee (the State), the Electric Department may only invest in obligations of the United States Treasury, its agencies and instrumentalities; money market funds; the Local Government Investment Pool or in obligations which are rated in either of the two highest rated categories by a nationally recognized rating agency. As of June 30, 2021 and 2020, the Electric Department had no investments.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable/Allowance for Doubtful Accounts and Unbilled Revenue - The allowance for doubtful accounts is determined using historical information and current evaluations of existing economic conditions. Recognition has been given to unbilled revenue in the financial statements (see Note 3).

Materials and Supplies - Materials and supplies are valued at average cost.

Debt Issuance Costs – For the year ended June 30, 2021, in accordance with regulatory accounting, the Electric Department records debt issuance costs as a noncurrent asset. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Customer Deposits - The Electric Department requires customers to pay a refundable deposit when service is connected. Customer deposits are refunded when the customer has made their payments timely for a two-year period. The amount of customer deposits due within one year on the balance sheet has been estimated based on the prior years' experience.

Compensated Absences - It is the Electric Department's policy to permit employees to accumulate earned, but unused vacation leave up to a maximum of 240 hours. A liability representing the Electric Department's commitment to fund such costs from future operations has been recorded. It is also the Electric Department's policy to allow employees to be paid for accumulated sick leave upon retirement. In accordance with Statement No. 16 of the GASB, a liability has been accrued for sick leave amounts that management has determined are earned and probable of being paid in the future, using the termination payment method. The amount of compensated absences due within one year on the balance sheet has been estimated based on prior years' experience.

Presentation of Certain Taxes - The Electric Department collects various taxes from customers and remits these amounts to applicable taxing authorities. The Electric Department's accounting policy is to exclude these taxes from revenues and cost of sales.

Deferred Outflows/Inflows of Resources - In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Electric Department's deferred outflows of resources consist of deferred bond refunding losses (see Note 7) and deferred outflows related to other postemployment benefits (see Note 10). In addition to liabilities, the balance sheet may sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Electric Department's deferred inflows of resources consist of deferred inflows related to other postemployment benefits (see Note 10).

Net Position - Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for capital assets activity and debt service; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and deferred outflows of resources, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt or deferred inflow of resources attributable to unspent proceeds or other restricted cash and investments are excluded from the determination. Restricted for capital assets activity and debt service consists of net positions for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Evaluation of Subsequent Events - Management has evaluated subsequent events through October 27, 2021, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 2 - CONCENTRATION OF CREDIT RISK

As of June 30, 2021, the book balances of the Electric Department's deposits were \$3,394,645 and the bank balances were \$3,279,413. Of the bank balances, \$543,819 was covered by FDIC insurance, \$2,258,150 was covered by collateral held by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department, \$1,050,000 was covered by a letter of credit entered into between a community bank and the Federal Home Loan Bank, and \$1,138,810 was covered by pledged securities. The Electric Department has entered into agreements with First Volunteer Bank and First Horizon Bank, which participate in the Tennessee Bank Collateral Pool.

NOTE 3 - UNBILLED REVENUE

As of June 30, 2021 and 2020, estimated unbilled revenue of approximately \$1,738,000 and \$1,914,000, respectively, is included in accounts receivable.

NOTE 4 - RESTRICTED ASSETS

The restricted cash and investments consist of proceeds from bonds payable to be used for specific construction projects.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balances, July 1, 2020	Additions	Reductions	Balances, June 30, 2021
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 1,075,346	\$ 60,162	\$ 0	\$ 1,135,508
Construction Work in Progress	<u>1,169,381</u>	<u>5,557,904</u>	<u>3,368,423</u>	<u>3,358,862</u>
Total Capital Assets, Not Being Depreciated	<u>2,244,727</u>	<u>5,618,066</u>	<u>3,368,423</u>	<u>4,494,370</u>
Capital Assets, Being Depreciated:				
Structures and Improvements	5,198,133	481,933	14,928	5,665,138
Poles, Towers, and Transmission Assets	88,553,013	3,386,316	758,775	91,180,554
Street Lighting Systems	4,601,456	298,619	128,094	4,771,981
Equipment, Furniture and Fixtures	<u>33,883,106</u>	<u>74,372</u>	<u>77,354</u>	<u>33,880,124</u>
Total Capital Assets, Being Depreciated	<u>132,235,708</u>	<u>4,241,240</u>	<u>979,151</u>	<u>135,497,797</u>
Less Accumulated Depreciation for:				
Structures and Improvements	1,353,830	107,703	14,928	1,446,605
Poles, Towers, and Transmission Assets	39,808,823	2,649,948	753,612	41,705,159
Street Lighting Systems	3,088,253	233,800	130,206	3,191,847
Equipment, Furniture and Fixtures	<u>19,802,649</u>	<u>938,983</u>	<u>71,854</u>	<u>20,669,778</u>
Total Accumulated Depreciation	<u>64,053,555</u>	<u>3,930,434</u>	<u>970,600</u>	<u>67,013,389</u>
Total Capital Assets, Being Depreciated, Net	<u>68,182,153</u>	<u>310,806</u>	<u>8,551</u>	<u>68,484,408</u>
Capital Assets, Net	<u>\$ 70,426,880</u>	<u>\$ 5,928,872</u>	<u>\$ 3,376,974</u>	<u>\$ 72,978,778</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balances, July 1, 2019	Additions	Reductions	Balances, June 30, 2020
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 1,075,346	\$ 0	\$ 0	\$ 1,075,346
Construction Work in Progress	2,090,802	4,258,531	5,179,952	1,169,381
Total Capital Assets, Not Being Depreciated	<u>3,166,148</u>	<u>4,258,531</u>	<u>5,179,952</u>	<u>2,244,727</u>
Capital Assets, Being Depreciated:				
Structures and Improvements	5,192,648	5,485	0	5,198,133
Poles, Towers, and Transmission Assets	86,598,589	2,825,406	870,982	88,553,013
Street Lighting Systems	4,283,371	469,514	151,429	4,601,456
Equipment, Furniture and Fixtures	31,061,618	2,969,082	147,594	33,883,106
Total Capital Assets, Being Depreciated	<u>127,136,226</u>	<u>6,269,487</u>	<u>1,170,005</u>	<u>132,235,708</u>
Less Accumulated Depreciation for:				
Structures and Improvements	1,248,390	105,440	0	1,353,830
Poles, Towers, and Transmission Assets	38,076,562	2,585,459	853,198	39,808,823
Street Lighting Systems	3,041,413	219,218	172,378	3,088,253
Equipment, Furniture and Fixtures	19,084,765	837,802	119,918	19,802,649
Total Accumulated Depreciation	<u>61,451,130</u>	<u>3,747,919</u>	<u>1,145,494</u>	<u>64,053,555</u>
Total Capital Assets, Being Depreciated, Net	<u>65,685,096</u>	<u>2,521,568</u>	<u>24,511</u>	<u>68,182,153</u>
Capital Assets, Net	<u>\$ 68,851,244</u>	<u>\$ 6,780,099</u>	<u>\$ 5,204,463</u>	<u>\$ 70,426,880</u>

NOTE 6 - COMMITMENTS

The Electric Department periodically enters into work plans for various system improvements. As of June 30, 2021, the Department has approximately \$81,000 in contractual construction commitments.

NOTE 7 - LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2021 are as follows:

	Balances July 1, 2020	Increases	Decreases	Balances June 30, 2021	Amounts Due Within One Year
Notes Payable (Direct Borrowings)					
Electric System Revenue Anticipation Notes, Series 2020, 1.62%	\$ 0	\$ 250,000	\$ (50,000)	\$ 200,000	\$ 50,000
Total Notes Payable (Direct Borrowings)	<u>0</u>	<u>250,000</u>	<u>(50,000)</u>	<u>200,000</u>	<u>50,000</u>
General Obligation Bonds					
Electric System General Obligation Bonds, Series 2014A, 2.0% to 4.0%	3,940,000	0	(3,940,000)	0	0
Electric System General Obligation Refunding Bonds, Series 2015A, 2.0%	2,980,000	0	(1,490,000)	1,490,000	1,490,000
Electric System General Obligation Refunding Bonds, Series 2015B, 2.0% to 2.75%	2,945,000	0	(2,945,000)	0	0
Electric System General Obligation Bonds, Series 2017, 2.0% to 3.25%	8,360,000	0	(390,000)	7,970,000	410,000
Electric System General Obligation Refunding Bonds, Series 2019, 2.25% to 5.00%	10,690,000	0	(800,000)	9,890,000	800,000
Electric System General Obligation Refunding Bonds, Series 2021, 2.0% to 3.0%	0	7,130,000	0	7,130,000	475,000
Total General Obligation Bonds	<u>28,915,000</u>	<u>7,130,000</u>	<u>(9,565,000)</u>	<u>26,480,000</u>	<u>3,175,000</u>
Total Electric Department Debt	28,915,000	7,380,000	(9,615,000)	26,680,000	3,225,000
Plus Unamortized Premiums on Issuance	<u>1,874,579</u>	<u>549,586</u>	<u>(348,557)</u>	<u>2,075,608</u>	<u>0</u>
	<u>\$ 30,789,579</u>	<u>\$ 7,929,586</u>	<u>\$ (9,963,557)</u>	<u>\$ 28,755,608</u>	<u>\$ 3,225,000</u>

NOTE 7 - LONG-TERM DEBT (Continued)

Changes in long-term debt for the year ended June 30, 2020 are as follows:

	Balances July 1, 2019	Increases	Decreases	Balances June 30, 2020	Amounts Due Within One Year
Notes Payable (Direct Borrowings):					
Loan Payable to the Public Building Authority of the City of Clarksville, Tennessee - Series 2004 (PBA Clarksville, Series 2004) - Variable Rate based on Bank of America Daily Rate	\$ 3,004,729	\$ 0	\$ (3,004,729)	\$ 0	\$ 0
Loan Payable to the Public Building Authority of the County of Montgomery, Tennessee - Series 2006 (PBA Montgomery County, Series 2006) - Variable Rate based on Bank of America Daily Rate	6,665,000	0	(6,665,000)	0	0
Loan Payable to the Public Building Authority of the City of Clarksville, Tennessee - Series 2008 (PBA Clarksville, Series 2008) - Variable Rate based on Bank of America Daily Rate	1,244,583	0	(1,244,583)	0	0
Total Notes Payable (Direct Borrowings)	<u>10,914,312</u>	<u>0</u>	<u>(10,914,312)</u>	<u>0</u>	<u>0</u>
General Obligation Bonds					
Electric System General Obligation Bonds, Series 2014A, 2.0% to 4.0%	4,155,000	0	(215,000)	3,940,000	220,000
Electric System General Obligation Refunding Bonds, Series 2015A, 2.0%	4,470,000	0	(1,490,000)	2,980,000	1,490,000
Electric System General Obligation Refunding Bonds, Series 2015B, 2.0% to 2.75%	3,210,000	0	(265,000)	2,945,000	270,000
Electric System General Obligation Bonds, Series 2017, 2.0% to 3.25%	8,360,000	0	0	8,360,000	390,000
Electric System General Obligation Refunding Bonds, Series 2019, 2.25% to 5.00%	0	11,740,000	(1,050,000)	10,690,000	800,000
Total General Obligation Bonds	<u>20,195,000</u>	<u>11,740,000</u>	<u>(3,020,000)</u>	<u>28,915,000</u>	<u>3,170,000</u>
Total Electric Department Debt	31,109,312	11,740,000	(13,934,312)	28,915,000	3,170,000
Plus Unamortized Premiums on Issuance	386,507	1,593,837	(105,765)	1,874,579	0
	<u>\$ 31,495,819</u>	<u>\$ 13,333,837</u>	<u>\$ (14,040,077)</u>	<u>\$ 30,789,579</u>	<u>\$ 3,170,000</u>

The bonds payable outstanding as of June 30, 2021 are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2021
Electric System General Obligation Bonds, Series 2014A	2.00% to 4.00%	12/5/2014	3/1/2035	\$ 9,075,000	\$ 0
Electric System General Obligation Refunding Bonds, Series 2015A	2.00%	2/27/2015	3/1/2022	5,990,000	1,490,000
Electric System General Obligation Refunding Bonds, Series 2015B	2.00% to 2.75%	3/31/2015	3/1/2030	4,225,000	0
Electric System General Obligation Bonds, Series 2017	2.00% to 3.25%	5/25/2017	3/1/2037	8,360,000	7,970,000
Electric System General Obligation Refunding Bonds, Series 2019	2.25% to 5.00%	11/25/2019	3/1/2034	11,740,000	9,890,000
Electric System Revenue Anticipation Notes, Series 2020	1.62%	9/30/2020	6/1/2025	250,000	200,000
Electric System General Obligation Refunding Bonds, Series 2021	2.00% to 3.00%	3/18/2021	6/30/2038	7,130,000	7,130,000
					<u>\$ 26,680,000</u>

NOTE 7 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity of the bonds payable are as follows for the year ending June 30:

	Notes Payable (Direct Borrowings)		Bonds Payable	
	Principal	Interest	Principal	Interest
2022	\$ 50,000	\$ 3,240	\$ 3,175,000	\$ 929,104
2023	50,000	2,430	2,200,000	795,362
2024	50,000	1,620	2,240,000	706,662
2025	50,000	810	2,255,000	620,162
2026	0	0	1,935,000	531,912
2027-2031	0	0	9,200,000	1,568,576
2032-2036	0	0	4,735,000	481,162
2037-2038	0	0	740,000	23,726
Total	\$ 200,000	\$ 8,100	\$ 26,480,000	\$ 5,656,666

On December 5, 2014, the Electric Department issued \$9,075,000 in General Obligation Bonds (Series 2014A) to advance refund portions of its 2005 Series bonds. The advance refunding of debt included a partial defeasance of the 2005 Series bonds for \$2,095,000, which have since been called. The advance refunding resulted in an accounting loss which is being deferred and amortized on a straight-line basis over the weighted average life of the bonds defeased in accordance with GASB No. 23. These bonds also resulted in approximately \$5,000,000 in additional proceeds to provide financing for certain construction projects. These bonds were refunded during the year ended June 30, 2021.

On February 27, 2015, the Electric Department issued \$5,990,000 in General Obligation Refunding Bonds (Series 2015A) to advance refund portions of its 2006 Series bonds. The advance refunding of debt included a partial defeasance of the 2006 Series bonds for \$5,365,000, which have since been called. The advance refunding resulted in an accounting loss which is being deferred and amortized on a straight-line basis over the weighted average life of the bonds defeased in accordance with GASB No. 23. Amortization of the deferred amount on the refunding of bonds of \$31,323 for the year ended June 30, 2021 (\$31,325 for the year ended June 30, 2020) is included in interest expense in the statements of revenues, expenses and changes in net position.

The 2014 and 2015 General Obligation Bonds are payable from but not secured by a pledge of the Electric Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these bonds.

On May 25, 2017, the Electric Department issued \$8,360,000 in General Obligation Bonds (Series 2017) to provide funds for the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for the City's electric system. The bonds are secured by a pledge of the Electric Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these bonds.

On November 25, 2019, the Electric Department issued \$13,150,000 in General Obligation Refunding Bonds (Series 2019) to provide funds to refinance all the variable rate loans payable to the Public Building Authorities of the City of Clarksville, Tennessee and the County of Montgomery, Tennessee. The refunding did not result in an accounting loss. These bonds also resulted in approximately \$2,260,000 in additional proceeds to provide financing for certain construction projects. The bonds are payable from but not secured by a pledge of the Electric Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these bonds.

On September 30, 2020, the Electric Department issued \$250,000 in Revenue Anticipation Notes (Series 2020) to provide funding for certain construction projects. These notes are secured by a pledge of the Electric Department's revenues.

On March 18, 2021, the Electric Department issued \$7,130,000 in General Obligation Refunding Bonds (Series 2021) to provide funds to advance refund the Series 2014A and Series 2015B General Obligation Bonds. The advance refunding resulted in an accounting gain, which was deferred and amortized on a straight-line basis over the weighted average of the bonds defeased. Amortization of the deferred amount on the refunding of bonds of \$3,348 for the year ended June 30, 2021 is included within interest expense in the statements of revenue, expenses, and changes in net position. These bonds also resulted in approximately \$1,000,000 in additional proceeds to provide financing for certain construction projects. These bonds are payable from but not secured by a pledge of the Electric Department's revenues. The full faith and credit of the City of LaFollette is pledged as collateral for these bonds.

NOTE 8 - OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance			Balance			Amounts Due
	July 1, 2020	Increases	Decreases	June 30, 2021	Within		
					One Year		
Customer Deposits	\$ 2,427,995	\$ 546,317	\$ (429,626)	\$ 2,544,686	\$	450,261	
Accrued Compensated Absences	1,249,567	512,194	(432,624)	1,329,137		430,166	
Retirement Plan Payable (see Note 9)	382,058	0	(82,953)	299,105		83,050	
Total OPEB Liability (see Note 10)	695,714	41,346	(48,084)	688,976		0	
	<u>\$ 4,755,334</u>	<u>\$ 1,099,857</u>	<u>\$ (993,287)</u>	<u>\$ 4,861,904</u>	<u>\$</u>	<u>963,477</u>	

Changes in other long-term liabilities for the year ended June 30, 2020 are as follows:

	Balance			Balance			Amounts Due
	July 1, 2019	Increases	Decreases	June 30, 2020	Within		
					One Year		
Customer Deposits	\$ 2,316,789	\$ 482,316	\$ (371,110)	\$ 2,427,995	\$	386,573	
Accrued Compensated Absences	1,062,341	493,387	(306,161)	1,249,567		435,619	
Retirement Plan Payable (see Note 9)	464,919	0	(82,861)	382,058		82,952	
Total OPEB Liability (see Note 10)	507,767	222,414	(34,467)	695,714		0	
	<u>\$ 4,351,816</u>	<u>\$ 1,198,117</u>	<u>\$ (794,599)</u>	<u>\$ 4,755,334</u>	<u>\$</u>	<u>905,144</u>	

NOTE 9 - RETIREMENT PLANS

Pension Plan

The Electric Department participates in the Retirement Security Plan (RS Plan) sponsored and administered by the National Rural Electric Cooperative Association (NRECA), which is a cost-sharing pension plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS Plan annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145; PN 333). Copies of the RS Plan's annual financial statements are also available to participating employers by calling NRECA's Member Contact Center at 866-673-2299.

The Plan provides defined benefit pension retirement benefits to covered employees. Members are eligible to retire at age 62 or after 30 years of service, beginning in 1970. Benefits are determined by a formula using the member's final average effective salary for each of their years of benefit service. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. As of June 30, 2021, 66 of the Electric Department's employees were covered under the RS Plan (66 as of June 30, 2020). The Electric Department may amend certain terms of the Plan, including benefit levels provided for each year of service, normal retirement age, cost-of-living (COLA) adjustments to retiree annuity payments, eligibility for participation, and required employee contributions to the plan. Other plan terms, such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by individual employers (such provisions require approval by the NRECA board of directors). Each employer elects to participate in the Plan.

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan (Continued)

Plan participants do not contribute to the Plan, and the Electric Department is required to contribute annually in accordance with the terms of the RS Plan. The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payroll over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each employer’s RS Plan provisions and participant demographics (in particular, the average age of participants and each participant’s pay level). The Electric Department may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. For the year ended June 30, 2021, required employer contributions for the Electric Department were \$877,352 based on a rate of 27.99% of covered payroll (\$863,416 based on a rate of 27.17% for the year ended June 30, 2020). These amounts represent all of the required contributions for each year, and no amounts are included in accounts payable at either year end. The RS Plan must meet minimum funding requirements under ERISA, as determined by Internal Revenue Service regulations. The Electric Department can choose to withdraw from the RS Plan, subject to plan provisions that require the Department to fully fund its share of RS Plan liabilities before withdrawing.

The Electric Department has recorded a payable to NRECA related to contractual agreements for contributions to the RS Plan related to past service upon the Department’s entrance into the Plan. This liability is to be repaid in annual installments, with final payment due in 2047. The Electric Department’s contractual liability for past service costs as of June 30, 2021 and 2020 is as follows:

	2021	2020
Contractual Liability - Beginning of Year	\$ 382,058	\$ 464,919
Amounts Remitted to the NRECA	(82,953)	(82,861)
Contractual Liability - End of Year	299,105	382,058
Less Current Portion of Retirement Plan Payable	83,050	82,952
Long-Term Portion of Retirement Plan Payable	\$ 216,055	\$ 299,106

401(k) Plan

The Electric Department also has a defined contribution 401(k) plan through the NRECA which covers substantially all employees. The Electric Department matches up to 4% of participants' base pay each year. Voluntary participant contributions are allowed and totaled \$255,096 and \$254,594 for the years ended June 30, 2021 and 2020, respectively. Contributions by the Electric Department for the years ended June 30, 2021 and 2020 were \$161,097 and \$158,373, respectively.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information About the OPEB Plan

Plan Description - In addition to the retirement benefits described in Note 9, The City of LaFollette – Board of Public Utilities’ board of commissioners approved a single-employer defined benefit healthcare plan (the “Plan”) that is self-administered. The Plan provides partial payment of health insurance premiums for eligible retirees and their dependents. The Plan provides for the Electric Department to pay 2% per year of service up to a maximum of 50% of the employee premium for a total of 5 years. It also provides for the Electric Department to pay 1% per year of service up to a maximum of 25% of the dependent and surviving spouse’s premium for a total of 5 years. This is a joint plan with the Water Department.

Benefits Provided - The Electric Department’s healthcare plan is insured and serviced by Blue Cross Blue Shield of Tennessee. A premium is paid for medical coverage which is not age related. However, the underlying cost of the medical coverage does vary by age, as medical costs tend to increase with age. As a result, older employees receive a more valuable benefit than younger employees. As the premium paid for retirees is the same as for active employees, a more valuable benefit is received by retirees as compared to younger, active employees. GASB 75 defines this benefit as an implicit rate subsidy and it is to be valued under the standards. An adjustment from active employee health costs to retiree medical health costs is made to properly account for this subsidy.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

General Information About the OPEB Plan (Continued)

Employees Covered by Benefit Terms – At the measurement dates of June 30, 2020 and 2019, the following employees of the Electric Department were covered by the benefit terms of the Plan:

	2021	2020
Retired Employees	4	4
Disabled Employees	2	3
Beneficiaries	1	1
Active Employees	64	65
Total Participants	<u>71</u>	<u>73</u>

The contribution requirements are established and may be amended by the Board of Commissioners. The Plan is currently being funded on a pay-as-you-go basis, whereby amounts paid to retirees and their matching payments are the only contributions. There are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2021, the Electric Department paid \$48,084 to the Plan for OPEB benefits as they came due (\$34,467 for the year ended June 30, 2020).

Total OPEB Liability

Actuarial Assumptions - The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Healthcare Cost Trend Rates	5.00%, remaining stagnant over the course of the next several periods.
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributions in order to maintain their coverage. The Electric Department pays a portion of eligible retirees' and their dependents' medical premiums, for a total of five years. The portion paid amounts to 2% for each year of service, up to 50% of premiums for retirees and 1% for each year of service up to 25% of premiums for their dependents.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial demographic assumptions used in the July 1, 2021 actuarial valuation were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the Group Annuity 1983 Mortality Table.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2021 was 2.16% (2.21% as of June 30, 2020). This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer's 20-Year Municipal GO index.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
<u>Balances at June 30, 2019</u>	\$ 507,767
Changes for the Year	
Service Cost	11,757
Interest	21,959
Change in Assumptions	188,698
Benefit Payments	<u>(34,467)</u>
Net Changes	<u>187,947</u>
<u>Balances at June 30, 2020</u>	<u>695,714</u>
Changes for the Year	
Service Cost	16,237
Interest	15,734
Change in Assumptions	9,375
Benefit Payments	<u>(48,084)</u>
Net Changes	<u>(6,738)</u>
<u>Balances at June 30, 2021</u>	<u>\$ 688,976</u>

Changes in Assumptions - The discount rate was changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021. This change in assumptions increased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to the Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
2021	\$ <u>752,130</u>	\$ <u>688,976</u>	\$ <u>631,885</u>
	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
2020	\$ <u>758,754</u>	\$ <u>695,714</u>	\$ <u>638,723</u>

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to the Plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rates (5.00%)</u>	<u>1% Increase (6.00%)</u>
2021	\$ <u>609,528</u>	\$ <u>688,976</u>	\$ <u>783,820</u>
2020	\$ <u>622,999</u>	\$ <u>695,714</u>	\$ <u>782,254</u>

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2021, the Electric Department recognized OPEB expense of \$57,026 (\$57,804 for the year ended June 30, 2020).

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal years ended June 30, 2021 and 2020, the Electric Department reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2021</u>		
Changes in Assumptions	\$ 168,236	\$ 7,694
Change in Proportion	<u>20,098</u>	<u>0</u>
Totals as of June 30, 2021	<u>\$ 188,334</u>	<u>\$ 7,694</u>
<u>2020</u>		
Changes in Assumptions	\$ 182,118	\$ 9,233
Change in Proportion	<u>23,435</u>	<u>0</u>
Totals as of June 30, 2020	<u>\$ 205,553</u>	<u>\$ 9,233</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

For the Years ended June 30:

2022	\$ 25,056
2023	25,056
2024	25,056
2025	25,056
2026	25,048
Thereafter	<u>55,368</u>
Total	<u>\$ 180,640</u>

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

NOTE 11 - NET POSITION

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The net position for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Net Investment in Capital Assets:		
Net Capital Assets	\$ 72,978,778	\$ 70,426,880
Less: Long-Term Debt - Net of Discounts & Premiums	(28,755,608)	(30,789,579)
Add: Unspent Debt Proceeds to be Used for Capital Assets	737,179	1,706,133
	<u>44,960,349</u>	<u>41,343,434</u>
Restricted for Capital Assets Activity:		
Restricted Cash, Certificates of Deposit and Investments	833,267	1,728,547
Less: Unspent Debt Proceeds to be Used for Capital Assets	(737,179)	(1,706,133)
Less: Construction Retainage Payable	(96,088)	(22,414)
	<u>0</u>	<u>0</u>
Unrestricted	<u>(2,430,743)</u>	<u>(1,195,074)</u>
Total	<u>\$ 42,529,606</u>	<u>\$ 40,148,360</u>

NOTE 12 - LITIGATION

From time to time, various claims and lawsuits are pending against the Electric Department. In the opinion of the Electric Department's management, the potential loss on all claims and lawsuits will not be significant to the Electric Department's financial statements.

NOTE 13 - RISK MANAGEMENT

The Electric Department purchases commercial insurance and participates in the Tennessee Municipal League Public Entity Partners (PEP) insurance program to handle risks arising from workers' compensation, torts, asset theft, damage or destruction, errors or omissions, or acts of God, whereby these risks are transferred to the PEP and/or insurance company. Insurance coverage was virtually the same as in prior years, with no major changes.

Coverage through the PEP will pay all damage claims and defend the Electric Department in any damage suit that is included in the coverage, up to the policy's applicable limits, at the PEP's expense. This includes any other necessary costs relating to the defense. The Electric Department has the responsibility of following any reporting requirements, including timely reporting of any incidents which might result in a damage claim. The Electric Department is to do everything necessary to protect the rights of recovery of the PEP and enforcement of these rights by complying with all terms of the policy.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
SCHEDULE OF REQUIRED PENSION CONTRIBUTIONS**

A schedule of the Electric Department's required contributions for the NRECA pension plan for each of the ten most recent fiscal years is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Required Contributions Made</u>	<u>Repayment of Contractual Liability</u>	<u>Total</u>
2012	\$ 747,444	\$ 81,685	\$ 829,129
2013	743,716	81,685	825,401
2014	793,156	81,685	874,841
2015	779,285	81,685	860,970
2016	789,138	81,685	870,823
2017	838,903	81,685	920,588
2018	859,172	82,698	941,870
2019	941,377	82,776	1,024,153
2020	863,416	82,861	946,277
2021	877,352	82,953	960,305

The increasing trend in required contributions shown above is due to both increases in covered payroll and increases in contribution rates from the NRECA.

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Fiscal Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 16,237	\$ 11,757	\$ 10,911	\$ 9,601
Interest	15,734	21,959	18,963	18,746
Change in Assumptions	9,375	188,698	17,674	(13,058)
Change in Proportion	0	0	29,326	0
Benefit Payments	<u>(48,084)</u>	<u>(34,467)</u>	<u>(52,994)</u>	<u>(45,432)</u>
Net Change in Total OPEB Liability	(6,738)	187,947	23,880	(30,143)
Total OPEB Liability - Beginning	<u>695,714</u>	<u>507,767</u>	<u>483,887</u>	<u>514,030</u>
Total OPEB Liability - Ending	<u>\$ 688,976</u>	<u>\$ 695,714</u>	<u>\$ 507,767</u>	<u>\$ 483,887</u>
 Covered Payroll	 \$ 4,930,471	 \$ 5,047,087	 \$ 4,609,398	 \$ 4,545,881
 Total OPEB Liability as a Percentage of Covered Payroll	 13.97%	 13.78%	 11.02%	 10.64%

Note: There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION SECTION

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2021

Federal Agency/Pass-Through Agency/State Grantor Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Amount Pass-Through to Subrecipients	Expenditures
<u>Federal Awards:</u>				
<u>Federal Emergency Management Agency:</u>				
Pass-Through Program From:				
Tennessee Department of Military,				
Tennessee Emergency Management Agency				
Disaster Grants - Public Assistance	97.036	PA-04-TN-4541-PW-00042	\$ 0	\$ 7,910
			<u>\$ 0</u>	<u>\$ 7,910</u>

NOTE 1 – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal award related grant activity of the City of LaFollette – Board of Public Utilities – Electric Department and is presented on the accrual basis of accounting. The expenditures reported in this schedule were incurred in fiscal year 2020. In accordance with the requirements of CFDA 97.036, the expenditures have been reported in fiscal year 2021 when the grant was approved by the Federal Emergency Management Agency. The Electric Department did not elect to use a 10% de minimus indirect cost rate.

OTHER INFORMATION SECTION

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

SCHEDULE OF DEBT SERVICE REQUIREMENTS

For the Year Ended June 30, 2021

	Series 2015A General Obligation Refunding Bonds 2.00%		Series 2017 General Obligation Bonds 2.00% to 3.25%		Series 2019 General Obligation Refunding Bonds 2.25% to 5.00%		Series 2020 Revenue Anticipation Notes 1.62%		Series 2021 General Obligation Refunding Bonds 2.00% to 3.00%		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,490,000	\$ 29,800	\$ 410,000	\$ 224,262	\$ 800,000	\$ 453,250	\$ 50,000	\$ 3,240	\$ 475,000	\$ 221,792	\$ 3,225,000	\$ 932,344
2023	0	0	420,000	211,962	1,135,000	413,250	50,000	2,430	645,000	170,150	2,250,000	797,792
2024	0	0	430,000	199,362	1,180,000	356,500	50,000	1,620	630,000	150,800	2,290,000	708,282
2025	0	0	440,000	190,762	1,195,000	297,500	50,000	810	620,000	131,900	2,305,000	620,972
2026	0	0	450,000	180,862	875,000	237,750	0	0	610,000	113,300	1,935,000	531,912
2027	0	0	460,000	170,738	910,000	194,000	0	0	605,000	95,000	1,975,000	459,738
2028	0	0	470,000	159,238	945,000	148,500	0	0	595,000	76,850	2,010,000	384,588
2029	0	0	485,000	147,488	975,000	101,250	0	0	585,000	59,000	2,045,000	307,738
2030	0	0	495,000	135,362	960,000	52,500	0	0	570,000	47,300	2,025,000	235,162
2031	0	0	510,000	121,750	315,000	23,700	0	0	320,000	35,900	1,145,000	181,350
2032	0	0	525,000	106,450	200,000	14,250	0	0	320,000	29,500	1,045,000	150,200
2033	0	0	540,000	90,700	200,000	9,750	0	0	320,000	23,100	1,060,000	123,550
2034	0	0	555,000	74,500	200,000	5,000	0	0	320,000	16,700	1,075,000	96,200
2035	0	0	575,000	57,850	0	0	0	0	320,000	10,300	895,000	68,150
2036	0	0	595,000	39,162	0	0	0	0	65,000	3,900	660,000	43,062
2037	0	0	610,000	19,826	0	0	0	0	65,000	2,600	675,000	22,426
2038	0	0	0	0	0	0	0	0	65,000	1,300	65,000	1,300
	<u>\$ 1,490,000</u>	<u>\$ 29,800</u>	<u>\$ 7,970,000</u>	<u>\$ 2,130,274</u>	<u>\$ 9,890,000</u>	<u>\$ 2,307,200</u>	<u>\$ 200,000</u>	<u>\$ 8,100</u>	<u>\$ 7,130,000</u>	<u>\$ 1,189,392</u>	<u>\$ 26,680,000</u>	<u>\$ 5,664,766</u>

See Independent Auditor's Report.

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

For the Year Ended June 30, 2021

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2021
Notes Payable:									
<u>Payable through Electric Department</u>									
2020 Revenue Anticipation Notes	\$ 250,000	1.62%	9/30/2020	6/1/2025	\$ 0	\$ 250,000	\$ 50,000	\$ 0	\$ 200,000
Total Notes Payable through Electric Department					\$ 0	\$ 250,000	\$ 50,000	\$ 0	\$ 200,000
Bonds Payable:									
<u>Payable through Electric Department</u>									
2014A General Obligation Bonds	\$ 9,075,000	2.0% to 4.0%	12/5/2014	3/1/2035	\$ 3,940,000	\$ 0	\$ 220,000	\$ 3,720,000	\$ 0
2015A General Obligation Refunding Bonds	5,990,000	2.00%	2/27/2015	3/1/2022	2,980,000	0	1,490,000	0	1,490,000
2015B General Obligation Refunding Bonds	4,225,000	2.0% to 2.75%	3/31/2015	3/1/2030	2,945,000	0	270,000	2,675,000	0
2017 General Obligation Bonds	8,360,000	2.0% to 3.25%	5/25/2017	3/1/2037	8,360,000	0	390,000	0	7,970,000
2019 General Obligation Refunding Bonds	11,740,000	2.25% to 5.00%	11/25/2019	3/1/2034	10,690,000	0	800,000	0	9,890,000
2021 General Refunding Bonds	7,130,000	2.00% to 3.00%	3/18/2021	6/30/2038	0	7,130,000	0	0	7,130,000
Total Bonds Payable through Electric Department					28,915,000	7,130,000	3,170,000	6,395,000	26,480,000
Total					\$ 28,915,000	\$ 7,380,000	\$ 3,220,000	\$ 6,395,000	\$ 26,680,000

See Independent Auditor's Report.

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
SCHEDULES OF RATE STRUCTURE AND CUSTOMERS**

June 30, 2021

Residential - Schedule RS		
Customer Charge	\$	20.13
Energy Charge Per kWh		0.10489
General Power - Schedule GSA		
Part 1		
Customer Charge		27.65
Energy Charge Per kWh		0.12691
Part 2		
Customer Charge		104.39
Demand Charges:		
First 50 kW		0.00
Excess Over 50 kW		17.11
Energy Charges:		
First 15,000 kWh		0.12761
Additional kWh		0.69870
Part 3		
Customer Charge		365.36
Demand Charges:		
First 1,000 kW		17.29
Excess over 1,000 kW		22.36
Energy Charge Per kWh		0.06987
Outdoor Lighting - Schedule LS		
Customer Charge		27.65
Energy Charge Per kWh		0.07647
General Power - Schedule GSB		
Customer Charge		1,500.00
Demand Charges:		
Onpeak		10.87
Maximum		5.21
Excess Over Contract		10.87
Energy Charge		
Onpeak		0.08165
Offpeak First 200 hours		0.05674
Offpeak Next 200 hours		0.02216
Offpeak Additional kWh		0.01875

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

SCHEDULES OF RATE STRUCTURE AND CUSTOMERS (Continued)

June 30, 2021

General Power - Schedule GSC		
Customer Charge	\$	1,500.00
Demand Charges:		
Onpeak		10.87
Maximum		4.60
Excess Over Contract		10.87
Energy Charge		
Onpeak		0.08165
Offpeak First 200 hours		0.05674
Offpeak Next 200 hours		0.02216
Offpeak Additional kwh		0.01875
General Power - Schedule GSD		
Customer Charge		1,500.00
Demand Charges:		
Onpeak		10.87
Maximum		4.59
Excess Over Contract		10.87
Energy Charge		
Onpeak		0.08165
Offpeak First 200 hours		0.05674
Offpeak Next 200 hours		0.02102
Offpeak Additional kwh		0.01875

Customers - As of June 30, 2021 the total number of customers was 22,641.

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

SCHEDULES OF RATE STRUCTURE AND CUSTOMERS

June 30, 2020

Residential - Schedule RS		
Customer Charge	\$	20.13
Energy Charge Per kWh		0.10154
General Power - Schedule GSA		
Part 1		
Customer Charge		27.65
Energy Charge Per kWh		0.12363
Part 2		
Customer Charge		104.39
Demand Charges:		
First 50 kW		0.00
Excess Over 50 kW		17.11
Energy Charges:		
First 15,000 kWh		0.12433
Additional kWh		0.06667
Part 3		
Customer Charge		365.36
Demand Charges:		
First 1,000 kW		17.29
Excess over 1,000 kW		22.36
Energy Charge Per kWh		0.06667
Outdoor Lighting - Schedule LS		
Customer Charge		27.65
Energy Charge Per kWh		0.07312
General Power - Schedule GSB		
Customer Charge		1,500.00
Demand Charges:		
Onpeak		10.87
Maximum		5.21
Excess Over Contract		10.87
Energy Charge		
Onpeak		0.07842
Offpeak First 200 hours		0.05351
Offpeak Next 200 hours		0.01893
Offpeak Additional kWh		0.01552

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT**

SCHEDULES OF RATE STRUCTURE AND CUSTOMERS (Continued)

June 30, 2020

General Power - Schedule GSC	
Customer Charge	\$ 1,500.00
Demand Charges:	
Onpeak	10.87
Maximum	4.60
Excess Over Contract	10.87
Energy Charge	
Onpeak	0.07842
Offpeak First 200 hours	0.05351
Offpeak Next 200 hours	0.01893
Offpeak Additional kwh	0.01552
General Power - Schedule GSD	
Customer Charge	1,500.00
Demand Charges:	
Onpeak	10.87
Maximum	4.59
Excess Over Contract	10.87
Energy Charge	
Onpeak	0.07842
Offpeak First 200 hours	0.05351
Offpeak Next 200 hours	0.01779
Offpeak Additional kwh	0.01552
General Power-TDGSA	
Customer Charge	1,500.00
Demand Charges:	
Onpeak	10.95
Maximum	5.23
Excess Over Contract	10.95
Energy Charge	
Onpeak	0.09519
Offpeak First 200 hours	0.06170
Offpeak Next 200 hours	0.01922
Offpeak Additional kwh	0.01619

Customers - As of June 30, 2020 the total number of customers was 22,380.

COMPLIANCE SECTION



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

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 and Senior Management
City of LaFollette - Board of Public Utilities
Electric Department
LaFollette, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of LaFollette - Board of Public Utilities - Electric Department, an enterprise fund of the City of LaFollette, Tennessee, which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of LaFollette - Board of Public Utilities - Electric Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Electric Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of LaFollette - Board of Public Utilities - Electric Department'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



An independently owned member
RSM US Alliance



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of LaFollette - Board of Public Utilities - Electric Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
October 27, 2021

**CITY OF LAFOLLETTE - BOARD OF PUBLIC UTILITIES
ELECTRIC DEPARTMENT
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2021**

There were no prior findings reported.

APPENDIX D

BOND INSURANCE

AND

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$504.3 million, \$181.5 million and \$322.8 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