NEW ISSUE Rating: Moody's – "Aa3"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating")

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

$15,225,000
JEFFERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2020A

Dated: June 5, 2020 Due: June 1 (as shown below)

The $15,225,000 General Obligation Refunding Bonds, Series 2020A (the "Bonds") of Jefferson County, Tennessee (the "County" or the "Issuer") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2020 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

The Bonds maturing on or after June 1, 2029 are subject to optional redemption prior to maturity on or after June 1, 2028 as described herein.

Due (June 1)	Amount	Interest Rate	Yield	CUSIP**	Due (June 1)	Amount	Interest Rate	Yield	CUSIP**
2021	$ 575,000	5.00 %	0.70 %	473484QP1	2029	$ 1,015,000	5.00 %	1.46 % c	473484QX4
2022	600,000	5.00	0.75	473484QQ9	2030	1,065,000	3.00	1.75 c	473484QY2
2023	640,000	5.00	0.85	473484QR7	2031	1,100,000	2.00	2.00	473484QZ9
2024	795,000	5.00	1.00	473484QS5	2032	1,120,000	2.00	2.05	473484RA3
2025	835,000	5.00	1.15	473484QT3	2033	1,145,000	2.00	2.10	473484RB1
2026	880,000	5.00	1.27	473484QU0	2034	1,165,000	2.00	2.15	473484RC9
2027	920,000	5.00	1.33	473484QV8	2035	1,185,000	2.125	2.25	473484RD7
2028	970,000	5.00	1.40	473484QW6	2036	1,215,000	2.25	2.30	473484RE5

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 County by Rainwater, Drinnon & Churchwell, PLLC, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about June 5, 2020.

Cumberland Securities Company, Inc.
Municipal Advisor

May 13, 2020

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

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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

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

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

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

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

JEFFERSON COUNTY, TENNESSEE

COUNTY OFFICIALS

Honorable Mark Potts	*County Mayor*
Frank Herndon	*County Clerk*
Jennifer Boling Hall	*County Trustee*
Susan G. Gass	*Assessor of Property*
S. Doug Drinnon	*County Attorney*

BOARD OF COUNTY COMMISSIONERS

Randy Bales	Paul W. Lowe
Rob Blevins	Jimmy Dale Patterson
Gregory D. Byrd	Michael Phagan
Jimmy Carmichael	Marcus Reed
Ronny Coleman	John Neal Scarlett
Terry Dockery	Tim Seals
Steve Douglas	Sammy Solomon
Gene Eslinger	Heidi Thomas
Katy Fox Huffaker	Anthony Walker
Todd Kesterson	Glen E. Warren
Edna Shurden Langley	

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 B: SUPPLEMENTAL INFORMATION STATEMENT

APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS

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	Jefferson County, Tennessee (the "County" or "Issuer"). See the section entitled "Supplemental Information Statement" for more information.
Securities Offered	$15,225,000 General Obligation Refunding Bonds, Series 2020A (the "Bonds") of the County, dated June 5, 2020. The Bonds will mature each June 1 beginning June 1, 2021 through June 1, 2036, inclusive. See the section entitled "SECURITIES OFFERED – Authority and Purpose".
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose	The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Bonds (as defined herein) of the County; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED - Authority and Purpose" contained herein.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2028, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)
Rating	Moody's: "Aa3". See the section entitled "MISCELLANEOUS - Rating" for more information.
Underwriter	FHN Financial Capital Markets, Memphis, Tennessee.
Municipal Advisor	Cumberland Securities Company, Inc. See the section entitled "MISCELLANEOUS - Municipal Advisor; Related Parties; Other", herein.
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Book-Entry-Only	The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry System"
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").

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

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

Other Information.....The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County or this *Official Statement* contact Mr. Mark Potts, County Mayor, P.O. Box 710 Dandridge, Tennessee 37725, (865) 397-3800; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

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

	2015	2016	2017	2018	2019
Beginning Fund Balance	$6,261,169	$6,100,290	$8,215,602	$8,766,004	$8,417,091
Revenues	20,343,503	22,263,877	21,510,213	22,280,784	23,463,755
Expenditures	20,023,823	19,594,504	20,589,952	22,156,522	21,973,371
Other Financing Sources:					
Insurance Recovery	74,147	266,606	108,602	151,626	38,553
Transfers In	373,200	-	-	-	-
Transfers Out	(927,906)	(820,667)	(478,461)	(624,801)	(811,745)
Ending Fund Balance	**$6,100,290**	**$8,215,602**	**$8,766,004**	**$8,417,091**	**$9,134,283**

Source: Comprehensive Annual Financial Reports of the County.

$15,225,000
JEFFERSON COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2020A

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Jefferson County, Tennessee (the "County" or "Issuer") of its $15,225,000 General Obligation Refunding Bonds, Series 2020A (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the "Resolution") duly adopted by the County Commission of the County on March 24, 2020.

The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Bonds (as defined herein) of the County; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED - Authority and Purpose" contained herein.

REFUNDING PLAN

The County will apply a portion of the proceeds of the Bonds to refund the County's outstanding: (i) General Obligation Bonds, Series 2012, dated September 10, 2012, maturing June 1, 2021 and thereafter, in the outstanding principal amount of $8,125,000 (the "Series 2012 Bonds") and (ii) General Obligation Bonds, Series 2013, dated April 10, 2013, maturing June 1, 2021 and thereafter, in the outstanding principal amount of $8,295,000 (the "Series 2013 Bonds") (collectively, the "Outstanding Bonds"). The Outstanding Bonds will be called for redemption within 30 days of the closing.

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

DESCRIPTION OF THE BONDS

The Bonds will be initially dated June 5, 2020. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2020. The Bonds are issuable in book-entry only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

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

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

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

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 in whole or in part at any time at a redemption price of par plus accrued interest.

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

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

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

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NOTICE OF REDEMPTION

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

(a) an amount, which together with investment earnings thereon and other legally available funds of the County, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Bonds until and through the redemption date therefor shall be transferred to the paying agent for the Outstanding Bonds to be held to the earliest optional redemption date and used for the payment and retirement of the Outstanding Bonds; and

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

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DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

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

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

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

County, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or obligations of any agency or instrumentality of the United States, 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 County, including, but not limited to, the right to require the County to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

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

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

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

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

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

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

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement,* in final form, and having attached thereto a copy of

the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of 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

Moody's Global Ratings has given the Bonds the rating of "Aa3".

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

The rating reflects only the views of Moody's and any explanation of the significance of such ratings should be obtained from Moody's.

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on May 13, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 1, 2020.

The successful bidder for the Bonds was an account led by FHN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $16,560,880.58 (consisting of the par amount of the Bonds, plus a net original issue premium of $1,410,717.50 and less an underwriter's discount of $74,836.92) or 108.774% of par of par plus accrued interest, if any, to the date of delivery.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., has served as Municipal Advisor (the "Municipal Advisor") to the County for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the County to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the County, including without limitation any of the County's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the County, any of its

affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

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

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

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt at this time. However, the County has ongoing needs that may or may not require the issuance of additional debt.

DEBT LIMITATIONS

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

DEBT RECORD

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

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2020 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year Filing History. In the past five years, the County has filed its Annual Reports on time at www.emma@msrb.org under the base CUSIP Number 473484 which is the base CUSIP Number for the County. The County has also filed on time such Annual Reports for fiscal year ending June 30, 2015 through June 30, 2019 under the CUSIP Numbers of the Bonds for which the County was an obligated person (Local Government Public Improvement Bonds, Series V-G-1 (Jefferson County), dated December 10, 2008 (the “Series V-G-1 Bonds")).

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

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

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

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

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

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

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

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

7. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-18; and

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

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

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

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

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

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

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders, if material;

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

   i. Defeasances;

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

   k. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

BONDHOLDER RISK - COVID-19

The world-wide outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread to several counties and cities in the State of Tennessee, including the Issuer and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The spread of COVID-19 has led to quarantine and other "social distancing" measures in affected regions. While effects of COVID-19 on the Issuer may be temporary, the virus has affected travel, commerce and financial markets across the world. Additionally, U.S. and global stock markets have recently experienced significant volatility and overall declines that have attributed to COVID-19 concerns.

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.

The Issuer relies in part on the collection of tax revenues generated from commercial activity, such as sales taxes and business taxes. As long as quarantine and other "social distancing" measures remain in place, the Issuer expects that these tax revenues will be adversely impacted.

ADDITIONAL INFORMATION

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

Any statements made in this OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be

realized. Neither this OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

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

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

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

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CERTIFICATION OF ISSUER

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

/s/ Mark Potts
County Mayor

ATTEST:

/s/ Frank Herndon
County Clerk

APPENDIX A

PROPOSED FORM OF LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Jefferson County, Tennessee (the "Issuer") of the $15,225,000 General Obligation Refunding Bonds, Series 2020A (the "Bonds") dated June 5, 2020. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The 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 Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. 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, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all

or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

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

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

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

GENERAL

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

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

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

TRANSPORTATION

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

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

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

EDUCATION

The *Jefferson County School System* serves the County with twelve total schools, which include eight elementary schools, two middle schools, and one high school. The fall 2018 enrollment was 6,964 with about 443 teachers.

Source: Tennessee Department of Education.

Carson-Newman College is a private, Christian liberal arts institution that was founded in 1851. Carson-Newman has a 125 acres campus located in Jefferson City, Tennessee. Location within the foothills of the Great Smoky Mountains and in between two lakes, the campus is located 28 miles northeast of Knoxville. Fall 2019 had a 2,560 enrollment. There are 53 majors available with four undergraduate degrees and four graduate degrees.

Source: Carson-Newman College and the Knoxville News Sentinel.

The Tennessee College of Applied Technology at Morristown. The Tennessee College of Applied Technology at Morristown (the "TCAT-M") is part of a statewide system of 26 vocational-technical schools. TCAT-M 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. TCAT-M serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. TCAT-M main campus is located in Hamblen County. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County.

Source: Tennessee College of Applied Technology at Morristown and TN Higher Education Commission.

HEALTHCARE

Jefferson Memorial Hospital was built in 2001 and is located in Jefferson City. A 58 bed, state-of-the-art medical facility, Jefferson Memorial serves people from Knoxville to Morristown with leading-edge technology. Providing comprehensive medical services, Jefferson Memorial offers equipment and physicians trained in specialty areas like oncology, obstetrics and orthopedics as well as extensive outpatient surgery capabilities and diagnostic testing. It employs over 760 physicians, nurses and associates. Jefferson Memorial is owned and operated by Tennova Healthcare. Tennova Healthcare was acquired by of one of the largest for-profit hospital companies in the country, Community Health Systems, Inc. (the "CHS"). CHS is one of the nation's leading operators of general acute care hospitals based in Brentwood, TN. The organization's affiliates own, operate or lease 127 hospitals in 20 states with approximately 21,000 licensed beds. There are sixteen CHS hospitals in Tennessee.

Source: Community Health Systems.

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

POWER PRODUCTION

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

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

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

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

Major Employers in Jefferson County

Company	Product	Employees
Old Dominion Freight Co.	Trucking	1,140
Jefferson Memorial Hosp.	Healthcare	764
Jefferson County Schools*	School System	564
Bush Brothers	Canned Foods	500
Carson Newman College	Education	375
Nashua / Rittenhouse Paper Co.	Paper Rolls, Labels	302
Jefferson County Government	Government	300
American Book Co.	Distribution	250
Dillard Smith Construction	Power Line Construction	181
Clayton Homes	Manufactured Mobile Homes	159
Ball Corporation	Metal Food Containers	153
Matsuo Industries	Automotive Parts	148
Algoma Hardwood / Appalachian Door	Door Manufacturing	130
City of Jefferson City	Government	106
Schrader Trucking	Trucking	105
Klote International	Manufacturing	69
Smokey Mtn. Knife Works	Knives	65

* Only includes Teachers, Administrators and Staff.
Source: Jefferson County Chamber of Commerce, TN Department of Economic and Community Development and the Knoxville News Sentinel - 2018.

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EMPLOYMENT INFORMATION

For the month of March 2020, the unemployment rate for Jefferson County stood at 3.3% with 24,038 persons employed out of a labor force of 24,856.

The Morristown MSA's unemployment for March 2020 was at 3.5% with 51,491 persons employed out of a labor force of 53,337. As of March 2020, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 2.9%, representing 543,910 persons employed out of a workforce of 560,286.

	Unemployment				
	Annual Average **2014**	Annual Average **2015**	Annual Average **2016**	Annual Average **2017**	Annual Average **2018**
National	6.2%	5.3%	4.9%	4.4%	3.6%
Tennessee	6.6%	5.6%	4.7%	3.8%	3.5%
Jefferson County	**7.4%**	**6.4%**	**5.3%**	**4.1%**	**3.8%**
Index vs. National	119	121	108	93	106
Index vs. State	112	114	113	108	109
Morristown MSA	**7.4%**	**6.3%**	**5.2%**	**4.1%**	**3.8%**
Index vs. National	119	119	106	93	106
Index vs. State	112	113	111	108	109
Knoxville-Sevierville-Harriman CSA	**6.4%**	**5.5%**	**4.6%**	**3.7%**	**3.4%**
Index vs. National	103	104	94	84	94
Index vs. State	97	98	98	97	97

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

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ECONOMIC DATA

Per Capita Personal Income

	2013	2014	2015	2016	2017
National	$44,826	$47,025	$48,940	$49,831	$51,640
Tennessee	$39,549	$40,977	$42,810	$43,932	$45,517
Jefferson County	**$30,185**	**$31,438**	**$32,663**	**$33,397**	**$34,362**
Index vs. National	67	67	67	67	67
Index vs. State	76	77	76	76	75
Morristown MSA	**$31,474**	**$32,623**	**$33,956**	**$34,475**	**$35,263**
Index vs. National	70	69	69	69	68
Index vs. State	80	80	79	78	77
Knoxville-Sevierville-Harriman CSA	**$36,786**	**$38,233**	**$39,953**	**$40,847**	**$42,102**
Index vs. National	82	81	82	82	82
Index vs. State	93	93	93	93	92

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

Social and Economic Characteristics

	National	Tennessee	Jefferson County	Jefferson City
Median Value Owner Occupied Housing	$204,900	$158,600	$142,200	$119,800
% High School Graduates or Higher Persons 25 Years Old and Older	87.7%	87.0%	84.5%	79.7%
% Persons with Income Below Poverty Level	11.8%	15.3%	13.8%	23.1%
Median Household Income	$60,293	$50,972	$47,264	$36,135

Source: U.S. Census Bureau State & County QuickFacts - 2018.

RECREATION

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

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

Source: Tennessee Valley Authority.

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

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

Oshkosh Corporation. Fortune 500 company Oshkosh Corporation, a leading designer and manufacturer of specialty vehicles and vehicle bodies, plans to create more than 300 jobs in Jefferson County over the next three years. Oshkosh's Jefferson City facility will house welding and fabrication operations in support of Oshkosh's multiple segments. Oshkosh plans to renovate and occupy the former John Deere building in Jefferson City. The approximately 500,000-square-foot facility is expected to be operational in 2020.

Founded in 1917, Oshkosh Corporation is a leader in designing, manufacturing and servicing a broad range of access equipment, commercial, fire & emergency, military and specialty vehicles and vehicle bodies under the brands of Oshkosh®, JLG®, Pierce®, McNeilus®, Jerr-Dan®, Frontline™, CON-E-CO®, London® and IMT®. Its products are recognized around the world for quality, durability and innovation and can be found in more than 150 countries.

Solar Array. A $200 million, 200 acre solar farm was built by E.ON Climate and Renewables North America (the "E.ON") in New Market near the existing Appalachian Electric Cooperative solar array on Highway 11E. Construction began in late 2017. E.ON is a Chicago company that is the largest investor-owned utility in the world. The solar farm will generate 40 megawatts of solar power that will be immediately injected into the TVA and Appalachian Electric Cooperative grid.

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

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JEFFERSON COUNTY, TENNESSEE

SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2019 OUTSTANDING (1)
$ 13,305,000	Loan Agreement, Series E-3-D	Jun. 2026	Variable (2)	$ 6,155,000
10,595,000	(3) Qualified School Construction Loan, Series 2010	2028	Fixed	5,416,294
16,000,000	(3) General Obligation Bonds, Series 2010 (Federally Taxable Recovery Zone Economic Development Bonds)	June 2040	Fixed	16,000,000
2,506,325	Loan Agreement, Series 2011 (EESI Loan)	March 2024	Fixed	1,082,688
9,900,000	General Obligation Bonds, Series 2012	June 2036	Fixed	8,475,000
9,995,000	General Obligation Bonds, Series 2013	June 2036	Fixed	8,635,000
4,285,000	General Obligation Refunding Bonds, Series 2014	June 2027	Fixed	2,445,000
6,790,000	General Obligation Bonds, Series 2015	June 2036	Fixed	6,690,000
4,215,000	General Obligation Refunding Bonds, Series 2016 (Nursing Home)	June 2037	Fixed	3,970,000
8,725,000	General Obligation Refunding Bonds, Series 2017	June 2023	Fixed	7,430,000
$ 86,316,325	**TOTAL GENERAL OBLIGATION BONDS**			$ 66,298,982
$ 15,225,000	General Obligation Refunding Bonds, Series 2020A	June 2036	Fixed	$ 15,225,000
(19,895,000)	Less: Bonds Being Refunded (Series 2012 and Series 2013)			(16,420,000)
$ 81,646,325	**NET TOTAL DEBT**			**$ 65,103,982**

NOTES:

(1) The above figures may not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Also, does not include any outstanding Notes held by the County Trustee payable from the General Purpose School Fund.

(2) The County budgets to account for interest rate and/or basis risk.

(3) The original federal subsidy of on the Qualified School Construction Loan, Series 2010 and the General Obligation Bonds, Series 2010 (Federally Taxable Recovery Zone Economic Development Bonds) (Dated: 12/20/2010) has been reduced by 5.9% for the federal fiscal year ending September 30, 2020 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2020 the sequestration rate will be subject to change.

JEFFERSON COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

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

	For the Fiscal Year Ended June 30					After Issuance
INDEBTEDNESS	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
TAX SUPPORTED						
General Obligation Bonds & Notes	$85,436,158	$80,712,800	$76,210,005	$70,737,109	$66,298,982	$65,103,982
TOTAL TAX SUPPORTED	85,436,158	80,712,800	76,210,005	70,737,109	66,298,982	65,103,982
TOTAL DEBT	$85,436,158	$80,712,800	$76,210,005	$70,737,109	$66,298,982	$65,103,982
Less: Debt Service Fund	(6,749,125)	(7,120,532)	(7,535,668)	(8,224,505)	(9,684,747)	(9,684,747)
NET DIRECT DEBT	$78,687,033	$73,592,268	$68,674,337	$62,512,604	$56,614,235	$55,419,235
PROPERTY TAX BASE						
Estimated Actual Value	$4,116,842,597	$4,156,914,737	$4,376,190,440	$4,468,176,240	$4,806,443,192	$4,831,497,918
Appraised Value	4,116,842,597	4,156,914,737	4,205,956,632	4,294,364,184	4,321,953,718	4,831,497,918
Assessed Value	1,145,216,134	1,155,966,436	1,170,469,245	1,195,514,518	1,204,261,954	1,338,846,329

	For the Fiscal Year Ended June 30					After Issuance
DEBT RATIOS	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
TOTAL DEBT to Estimated Actual Value	2.08%	1.94%	1.74%	1.58%	1.38%	1.35%
TOTAL DEBT to Appraised Value	2.08%	1.94%	1.81%	1.65%	1.53%	1.35%
TOTAL DEBT to Assessed Value	7.46%	6.98%	6.51%	5.92%	5.51%	4.86%
NET DIRECT DEBT to Estimated Actual Value	1.91%	1.77%	1.57%	1.40%	1.18%	1.15%
NET DIRECT DEBT to Appraised Value	1.91%	1.77%	1.63%	1.46%	1.31%	1.15%
NET DIRECT DEBT to Assessed Value	6.87%	6.37%	5.87%	5.23%	4.70%	4.14%
PER CAPITA RATIOS						
POPULATION (1)	53,240	53,535	53,804	54,012	54,495	54,495
PER CAPITA PERSONAL INCOME (2)	$32,663	$33,397	$34,362	$34,362	$34,362	$34,362
Estimated Actual Value to POPULATION	$77,326	$77,649	$81,336	$82,726	$88,200	$88,659
Assessed Value to POPULATION	$21,510	$21,593	$21,754	$22,134	$22,099	$24,568
Total Debt to POPULATION	$1,605	$1,508	$1,416	$1,310	$1,217	$1,195
Net Direct Debt to POPULATION	$1,478	$1,375	$1,276	$1,157	$1,039	$1,017
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.91%	4.51%	4.12%	3.81%	3.54%	3.48%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.52%	4.12%	3.71%	3.37%	3.02%	2.96%

(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.

JEFFERSON COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended 6/30	Existing Debt (1) - As of June 30, 2019				General Obligation Refunding Bonds, Series 2020A			% 2020A Principal Repaid	Less: Refunded Bonds			Total Bonded Debt Service Requirements (1)				% Total Principal Repaid
	Principal	Interest (2)	Estimated Rebate (3)	TOTAL	Principal	Interest (4)	TOTAL		Principal	Interest	TOTAL	Principal	Interest (2)	Estimated Rebate (3)	TOTAL	
2020	$ 4,608,491	$ 3,053,563	$ (919,319)	$ 6,742,736	$ -	$ -	$ -	0.00%	$ -	$ -	$ -	$ 4,608,491	$ 3,053,563	$ (919,319)	$ 6,742,736	7.08%
2021	4,773,987	2,885,466	(919,319)	6,740,134	575,000	530,607	1,105,607		(720,000)	(407,604)	(1,127,604)	4,628,987	3,008,469	(919,319)	6,718,137	
2022	4,839,627	2,720,579	(919,319)	6,640,888	600,000	507,819	1,107,819		(755,000)	(393,204)	(1,148,204)	4,684,627	2,835,194	(919,319)	6,600,503	
2023	5,005,399	2,549,850	(919,319)	6,635,930	640,000	477,819	1,117,819		(790,000)	(378,104)	(1,168,104)	4,855,399	2,649,565	(919,319)	6,585,645	
2024	3,265,739	2,371,783	(919,319)	4,718,203	795,000	445,819	1,240,819		(825,000)	(362,304)	(1,187,304)	3,235,739	2,455,298	(919,319)	4,771,718	
2025	3,176,111	2,288,387	(919,319)	4,545,179	835,000	406,069	1,241,069	22.63%	(860,000)	(345,804)	(1,205,804)	3,151,111	2,348,652	(919,319)	4,580,444	38.65%
2026	2,611,111	2,203,537	(919,319)	3,895,329	880,000	364,319	1,244,319		(900,000)	(328,604)	(1,228,604)	2,591,111	2,239,252	(919,319)	3,911,044	
2027	2,456,190	2,152,274	(919,319)	3,689,145	920,000	320,319	1,240,319		(940,000)	(309,929)	(1,249,929)	2,436,190	2,162,664	(919,319)	3,679,535	
2028	1,887,325	1,854,733	(680,988)	3,061,070	970,000	274,319	1,244,319		(985,000)	(289,598)	(1,274,598)	1,872,325	1,839,454	(680,988)	3,030,792	
2029	1,880,000	1,555,955	(442,656)	2,993,299	1,015,000	225,819	1,240,819		(1,030,000)	(266,943)	(1,296,943)	1,865,000	1,514,831	(442,656)	2,937,175	
2030	1,955,000	1,510,110	(442,656)	3,022,454	1,065,000	175,069	1,240,069	54.48%	(1,075,000)	(241,973)	(1,316,973)	1,945,000	1,443,206	(442,656)	2,945,550	55.10%
2031	2,035,000	1,459,223	(442,656)	3,051,567	1,100,000	143,119	1,243,119		(1,120,000)	(214,823)	(1,334,823)	2,015,000	1,387,519	(442,656)	2,959,863	
2032	2,100,000	1,405,375	(442,656)	3,062,719	1,120,000	121,119	1,241,119		(1,175,000)	(185,688)	(1,360,688)	2,045,000	1,340,806	(442,656)	2,943,150	
2033	2,185,000	1,348,088	(442,656)	3,090,432	1,145,000	98,719	1,243,719		(1,225,000)	(154,275)	(1,379,275)	2,105,000	1,292,531	(442,656)	2,954,875	
2034	2,275,000	1,286,100	(442,656)	3,118,444	1,165,000	75,819	1,240,819		(1,280,000)	(120,600)	(1,400,600)	2,160,000	1,241,319	(442,656)	2,958,663	
2035	2,370,000	1,217,338	(442,656)	3,144,682	1,185,000	52,519	1,237,519	92.02%	(1,340,000)	(82,200)	(1,422,200)	2,215,000	1,187,656	(442,656)	2,960,000	71.29%
2036	2,445,000	1,145,688	(442,656)	3,148,032	1,215,000	27,338	1,242,338		(1,400,000)	(42,000)	(1,442,000)	2,260,000	1,131,025	(442,656)	2,948,369	
2037	3,480,000	1,071,825	(442,656)	4,109,169	-	-	-		-	-	-	3,480,000	1,071,825	(442,656)	4,109,169	
2038	4,175,000	857,938	(358,275)	4,674,663	-	-	-		-	-	-	4,175,000	857,938	(358,275)	4,674,663	
2039	4,325,000	581,344	(242,769)	4,663,575	-	-	-		-	-	-	4,325,000	581,344	(242,769)	4,663,575	
2040	4,450,000	294,813	(123,114)	4,621,699	-	-	-	100.00%	-	-	-	4,450,000	294,813	(123,114)	4,621,699	100.00%
	$ 66,298,982	$ 35,813,966	$ (12,743,602)	$ 89,369,346	$ 15,225,000	$ 4,246,607	$ 19,471,607		$ (16,420,000)	$ (4,123,649)	$ (20,543,649)	$ 65,103,982	$ 35,936,924	$ (12,743,602)	$ 88,297,304	

NOTES:

(1) The above figures may not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Also, does not include any outstanding Notes held by the County Trustee payable from the General Purpose School Fund.

(2) The County budgets to account for interest rate and/or basis risk.

(3) The original federal subsidy of on the Qualified School Construction Loan, Series 2010 and the General Obligation Bonds, Series 2010 (Federally Taxable Recovery Zone Economic Development Bonds) (Dated: 12/20/2010) has been reduced by 5.9% for the federal fiscal year ending September 30, 2020 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2020 the sequestration rate will be subject to change.

(4) Average Coupon of 2.9470%.

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

	For the Fiscal Year Ended June 30				
Fund Type	**2015**	**2016**	**2017**	**2018**	**2019**
Governmental Funds:					
General	$ 6,100,290	$ 8,215,602	$ 8,766,004	$ 8,417,091	$ 9,134,283
Other Special Revenue	3,948,488	4,693,593	5,441,628	6,190,169	6,941,278
Public Works	2,055,811	2,107,082	2,242,005	2,690,870	3,182,131
Debt Service	6,749,125	7,120,532	7,535,668	8,224,505	9,684,747
Other Governmental	1,394,460	1,399,423	2,584,877	2,011,849	1,427,650
Total	**$20,248,174**	**$23,536,232**	**$26,570,182**	**$27,534,484**	**$30,370,089**
Proprietary Net Assets:					
Solid Waste	$(2,291,309)	$(1,824,938)	$(1,252,521)	$(927,353)	$(427,224)
Employee Ins.	107,162	78,012	49,957	35,746	15,496
Total	**$(2,184,147)**	**$(1,746,926)**	**$(1,202,564)**	**$(891,607)**	**$(411,728)**

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

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JEFFERSON COUNTY, TENNESSEE

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

	2015	2016	2017	2018	2019
Revenues:					
Local taxes	$ 11,161,453	$ 12,387,774	$ 11,779,244	$ 12,013,747	$ 13,351,621
Licenses and Permits	351,546	404,041	388,218	476,784	403,933
Fines, forfeitures and penalties	353,961	378,138	426,008	471,395	483,904
Charges for current services	3,501,079	3,630,559	3,651,892	3,488,321	3,581,986
Other local revenues	720,429	626,143	625,982	692,216	721,110
Fees Received From County Officials	1,592,946	1,845,487	1,894,898	2,068,874	1,966,679
State of Tennessee	1,797,490	2,187,219	1,692,283	2,028,501	1,954,086
Federal Government	631,027	649,486	653,027	896,746	856,289
Other Governments & Citizens Groups	233,572	155,030	398,661	144,200	144,147
Total Revenues	$ 20,343,503	$ 22,263,877	$ 21,510,213	$ 22,280,784	$ 23,463,755
Expenditures:					
General Government	$ 2,333,854	$ 2,404,489	$ 2,641,829	$ 2,647,438	$ 2,597,618
Finance	2,384,655	1,996,440	2,017,575	2,076,498	2,090,289
Administration of Justice	1,599,745	1,527,168	1,586,184	1,653,978	1,645,397
Public Safety	6,979,605	7,263,304	7,447,698	8,205,341	7,810,604
Public Health & Welfare	4,789,759	4,504,209	5,016,781	5,441,281	5,529,997
Social, Cultural & Recreational Services	649,983	669,826	649,282	697,815	671,128
Agricultural & Natural Resources	143,715	130,649	139,783	151,628	152,357
Other Operations	1,142,507	1,098,419	1,090,820	1,282,543	1,315,981
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	160,000
Total Expenditures	$ 20,023,823	$ 19,594,504	$ 20,589,952	$ 22,156,522	$ 21,973,371
Excess (Deficiency) of Revenues Over Expenditures	$ 319,680	$ 2,669,373	$ 920,261	$ 124,262	$ 1,490,384
Other Sources & Uses:					
Capitalized Lease Issued	$ -	$ -	$ -	$ -	$ -
Insurance Recovery	74,147	266,606	108,602	151,626	38,553
Other Loans Issued	-	-	-	-	-
Operating Transfers - In	373,200	-	-	-	-
Operating Transfers - Out	(927,906)	(820,667)	(478,461)	(624,801)	(811,745)
Total Expenditures & Other Uses	$ (480,559)	$ (554,061)	$ (369,859)	$ (473,175)	$ (773,192)
Net Change in Fund Balances	$ (160,879)	$ 2,115,312	$ 550,402	$ (348,913)	$ 717,192
Fund Balance July 1	6,261,169	6,100,290	8,215,602	8,766,004	8,417,091
Fund Balance June 30	**$ 6,100,290**	**$ 8,215,602**	**$ 8,766,004**	**$ 8,417,091**	**$ 9,134,283**

Source: Comprehensive Annual Financial Reports for Jefferson County, Tennessee

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own

such property on January I for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

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

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

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

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

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

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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 of Tennessee, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2019[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 82,912,720	55%	$ 189,948,958
Commercial and Industrial	218,525,940	40%	548,065,800
Personal Tangible Property	84,220,919	30%	280,736,160
Residential and Farm	953,186,750	25%	3,812,747,000
Total	**$1,338,846,329**		**$4,831,497,918**

[1] The tax year coincides with the calendar year, therefore tax year 2019 is actually fiscal year 2019-2020.=

Source: 2019 Tax Aggregate Report of Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2020 (tax year 2019) is $1,338,846,329 compared to $1,204,261,954 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is $4,831,497,918 compared to $4,806,443,192 for tax year 2018.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2015 through 2019 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Year Collections		Aggregate Uncollected Balance	
Tax Year[2]	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2019 Amount	Pct
2015	$1,155,966,436	$2.35	$27,309,089	$25,840,375	94.6%	N/A	
2016	1,170,469,245	2.35	27,511,553	26,292,909	95.6%	N/A	
2017	1,195,514,518	2.35	28,100,266	26,723,925	95.1%	N/A	
2018	1,204,261,954	2.35	28,316,952	27,074,578	95.6%	$1,242,374	4.4%
2019	1,338,846,329	2.19	29,339,315	IN PROCESS			

[2] The tax year coincides with the calendar year, therefore, tax year 2019 is actually fiscal year 2019-2020.

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Ten Largest Taxpayers. For the fiscal year ending June 30, 2019 (tax year 2018), the ten largest taxpayers in the County are as follows:

	Taxpayer	Business Type	Assessment	Taxes Levied
1.	Appalachian Electric Coop	Utility	$58,287,218	$1,087,810
2.	Bush Brothers & Company	Canned Foods	72,576,276	667,169
3.	Nyrstar Strawberry Plains	Zinc Mining	49,932,381	422,629
4.	Ball Corp.	Canning	38,799,907	289,633
5.	Old Dominion Freight Line	Trucking	9,502,862	208,113
6.	287 Partnership LLC	Industrial	6,284,360	137,627
7.	Matsuo Industries	Industrial	16,459,184	125,022
8.	Norfolk Southern Main Line	Railroad	5,396,340	114,114
9.	AT&T Mobility	Communication	5,894,948	102,495
10.	Teachers Retirement Walmart	Industrial	4,322,560	94,644
	TOTAL		**$267,456,036**	**$3,249,256**

Source: The County.

PENSION PLANS

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

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement 45 establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits ("OPEB") in the financial reports of state and local government employers. GASB 45 requires the recognition of the accrued liability for the respective year, plus the disclosure of the total unfunded liability. Cash funding of the unfunded liability is not required.

For more information see the Note "Other Postemployment Benefits (OPED)" in the General Purpose Financial Statements located herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

JEFFERSON COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Jefferson County for the fiscal year ended June 30, 2019 which is available upon request from the County.

ANNUAL FINANCIAL REPORT

JEFFERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2019

TENNESSEE COMPTROLLER OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

JEFFERSON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2019

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

PHILIP TOBY, CGFM
KALEE TRENT
JAKE ROGERS
ANDREW WAY, CPA
GREG BRUSH, CISA
State Auditors

MARK TREECE, CPA, CGFM
Audit Manager

This financial report is available at www.comptroller.tn.gov

JEFFERSON COUNTY, TENNESSEE
TABLE OF CONTENTS

Summary of Audit Findings

Annual Financial Report
Jefferson County, Tennessee
For the Year Ended June 30, 2019

Scope

We have audited the basic financial statements of Jefferson County as of and for the year ended June 30, 2019.

Results

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

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

Findings

The following are summaries of the audit findings:

JEFFERSON COUNTY

- The Solid Waste Disposal Fund had a deficit in unrestricted net position.
- Jefferson County has a material recurring audit finding.

OFFICE OF FINANCE DIRECTOR

- The finance department had deficiencies in the maintenance of capital asset records.

OFFICE OF TRUSTEE

- Excess fees were not reported and paid to the county in compliance with state statutes.

OFFICE OF SHERIFF – FORMER SHERIFF BUD MCCOIG

- The Sheriff's Office had deficiencies in the recording and managing of seized cash.

Introductory Section

Jefferson County Officials
June 30, 2019

Officials

Mark Potts, County Mayor
Charles Tipton, Road Superintendent
Dr. Shane Johnston, Director of Schools
Jennifer Hall, Trustee
Susan Gass, Assessor of Property
Frank Herndon, County Clerk
Kevin Poe, Circuit and General Sessions Courts Clerk
Nancy Humbard, Clerk and Master
Ed Stiner, Register of Deeds
Jeff Coffey, Sheriff
Langdon Potts, Finance Director

Board of County Commissioners

Mark Potts, County Mayor, Chairperson
Randy Bales
Randy Baxley
Gregory Byrd
Robert Blevins
Jimmy Carmichael
Ronny Coleman
Terry Dockery
Steve Douglas
Gene Eslinger
Katy Fox Huffaker
Todd Kesterson
Edna Shurden Langley
Paul Lowe
Jimmy Dale Patterson
Michael Phagan
Marcus Reed
John Neal Scarlett
Tim Seals
Sammy Solomon
Heidi Thomas
Anthony Walker

Board of Education

Anne Marie Potts, Chairperson
Randall Bradley
Dusty Cox
Denise Fair
Bill Jarnigan
Robbie Pinkerton
Maurice Solomon

Highway Commission

Condon Batson, Chairman
Wayne Elmore
Conard Langston
Joe Simpson
Joel Smith
John Turner
Jim Woods

Jefferson County Officials (Cont.)

Financial Management Committee

Katy Fox Huffaker, Chairperson
Randy Bales
Terry Dockery
Dr. Shane Johnston, Director of Schools
Edna Shurden Langley
Mark Potts, County Mayor
Charles Tipton, Road Superintendent

Audit Committee

Garry Jett, Chairperson
Phyllis Best
Katy Fox Huffaker
Mark Potts, County Mayor
John Neal Scarlett

Financial Section

Justin P. Wilson
Comptroller

Jason E. Mumpower
Deputy Comptroller

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jefferson County Nursing Home. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Jefferson County Nursing Home, is based solely on the report of the other auditors. We were unable to determine Jefferson County Nursing Home's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the Jefferson County Emergency Communications District, a component unit requiring discrete presentation, was not included in the county's financial statements. 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

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obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, Tennessee, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Other Special Revenue, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedules of county and school changes in the total other postemployment benefits liability and related ratios, as listed in the table of contents, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

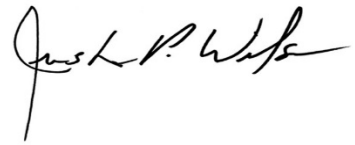
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Jefferson County School Department (a discretely presented component unit), schedule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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020, on our consideration of Jefferson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Jefferson County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 21, 2020

JPW/tg

JEFFERSON COUNTY
P.O. Box 710 Dandridge, Tennessee 37725 Telephone: (865) 397-3800

JEFFERSON COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

As management for Jefferson County, Tennessee, we offer readers of the financial statements of Jefferson County, Tennessee, this narrative overview and analysis of the financial activities of Jefferson County Government for the fiscal year ended June 30, 2019. In addition, this discussion and analysis includes an overview of the Discretely Presented Component Unit Jefferson County School Department. A separate set of financial statements is not issued for the Jefferson County School Department. The intent of this discussion and analysis is to look at Jefferson County and the discretely presented Jefferson County School Department's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the basic financial statements and notes to the financial statements to enhance their understanding of Jefferson County's financial performance, as well as, the discretely presented Jefferson County School Department's financial performance.

The Jefferson County Nursing Home is also a discretely presented component unit of the county. Although the nursing home's financial statements are included in this report, readers should also review the separately issued financial statements and management's discussion and analysis for this discretely presented component unit.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Jefferson County Primary Government exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately $72.0 million (net position). It should be noted that the financial statements of Jefferson County included debt totaling approximately $53.7 million attributed to the Jefferson County Board of Education. The discretely presented Jefferson County School Department's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by approximately $67.1 million at June 30, 2019.

- The primary government's total net position increased by approximately $7.9 million. The discretely presented Jefferson County School Department's net position increased by approximately $1.8 million. The increase in the primary government's total net position was primarily due to the retirement of debt.

- As of the close of the fiscal year, Jefferson County's Governmental funds reported approximately $30.4 million in total combined fund balances; this is an approximate increase of $2.9 million from the previous period. Of this amount, approximately $6.1 million represents funds that are available for spending (assigned and

unassigned). The discretely presented Jefferson County School Department's governmental funds reported approximately $8.6 million in total combined fund balances; an approximate increase of $0.6 million from the previous year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately $5.7 million or 25.8 percent of the General Fund's annual budgetary expenditures (excluding other uses). The unassigned fund balance of the discretely presented Jefferson County School Department's General Purpose School Fund was approximately $3.1 million or 5.6 percent of the fund's annual budgetary expenditures (excluding other uses).

- The total debt (bonds and other loans) of Jefferson County, Tennessee, decreased by approximately $4.4 million or 6.3 percent during the current fiscal year due to the retirement of outstanding obligations.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Jefferson County and the discretely presented Jefferson County School Department's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements were created to give readers a broad overview, in a manner similar to a private-sector business, of the county's and school's finances. The government-wide financial statements consist of two statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of Jefferson County's and its discretely presented component units' assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the county and its discretely presented component units is improving or deteriorating.

The Statement of Activities presents information showing how Jefferson County's and its discretely presented component units' net position changed during the current fiscal year. All changes in net position are reported on the accrual basis of accounting as soon as the underlying events giving rise to changes occur. Therefore, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods.

These government-wide financial statements of Jefferson County Primary Government and the discretely presented Jefferson County School Department distinguish between major functions that are principally supported by taxes and intra-governmental revenues from functions that are intended to recover all, or a significant portion of, their costs from user fees and/or charges – business type activities. The governmental activities of Jefferson County include: general government; finance; administration of justice; public safety;

public health and welfare; social, cultural, and recreational services; agriculture and natural resources; highways; education; and interest on long-term debt. The business-type activity of Jefferson County consists of the operation of the Landfill. The discretely presented Jefferson County School Department has no business-type activities.

The government-wide financial statements include not only Jefferson County Government itself (known as the primary government), but also a legally separate school system for which the Jefferson County Government is financially accountable.

The government-wide financial statements can be found in Exhibits A and B.

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. Jefferson County and the discretely presented Jefferson County School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Jefferson County and the discretely presented Jefferson County School Department can be divided into three broad categories: governmental, proprietary and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the 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. In doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheets and the governmental funds' statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Jefferson County maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General, Other Special Revenue, Highway, and General Debt Service funds; all of which are considered major funds. Financial data from the remaining governmental funds are combined into a single, aggregated amount with detail provided in the combining and individual fund financial statements and schedules.

The discretely presented Jefferson County School Department maintains four individual governmental funds. The General Purpose School Fund and the Education Capital Projects Fund are considered major funds.

Jefferson County adopts an annual budget for its General Fund, all special revenue funds (except the Constitutional Officers – Fees Fund), the General Debt Service Fund, and the General Capital Projects Fund. The discretely presented Jefferson County School Department, with the approval of the county, adopts an annual budget for its General Purpose School Fund and all special revenue funds. Budgetary comparisons have been provided for these funds to demonstrate budgetary compliance.

Governmental fund financial statements can be found in the table of contents.

Proprietary Funds. Jefferson County maintains two types of proprietary funds, an Internal Service Fund, and an Enterprise Fund. Enterprise funds are used to report functions presented as business-type activities in the government-wide financial statements. The county has an enterprise fund to account for the county's landfill operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among Jefferson County's various functions. Jefferson County uses an internal service fund to account for the county's self-insured employee dental and vision insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found in Exhibits D-1 through D-3.

The discretely presented Jefferson County School Department maintains an Internal Service Fund. The discretely presented Jefferson County School Department uses the internal service fund to account for the school department's self-insured employee dental and vision insurance program.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Jefferson County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds (economic resources measurement) except agency funds, which have no measurement focus. The basic fiduciary fund financial statements can be found in Exhibit E-1.

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 are located in the table of contents.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning Jefferson County's and the discretely presented Jefferson County School Department's obligation to provide pension and OPEB benefits to its employees. A table of contents has been provided to locate this information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. Jefferson County's assets and deferred outflows exceeded its resources liabilities and deferred inflows of resources at June 30, 2019, by $72.0 million. The Constitution for the State of Tennessee allows only the local legislative body to issue debt. Therefore, whenever the Jefferson County Board of Education requires the issuance of debt to fund major capital projects or equipment purchases, the related debt must be issued by the Jefferson County Government. At the end of the current fiscal year, Jefferson County had outstanding debt related to the Jefferson County Board of Education of $53.7 million. The related assets for this debt are reported on the Statement of Net Position under component units in the column "Jefferson County School Department". The discretely presented Jefferson County School Department's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2019, by $67.1 million.

Jefferson County's and the Discretely Presented Jefferson County School Department's Net Position

	Jefferson County Primary Government Governmental Activities	
	2018	2019
Current and Other Assets	$ 56,828,372	$ 59,185,008
Capital Assets	98,326,595	98,473,109
Total Assets	$ 155,154,967	$ 157,658,117
Total Deferred Outflows of Resources	$ 2,258,043	$ 2,259,018
Long-term Liabilities Outstanding	$ 68,530,653	$ 63,657,072
Other Liabilities	5,558,869	5,743,988
Total Liabilities	$ 74,089,522	$ 69,401,060
Total Deferred Inflows of Resources	$ 18,221,150	$ 18,058,672
Net Position:		
Net Investment in Capital Assets	$ 91,107,766	$ 92,165,297
Restricted	8,074,820	8,423,514
Unrestricted	(34,080,248)	(28,131,408)
Total Net Position	$ 65,102,338	$ 72,457,403

	Jefferson County School Department Governmental Activities	
	2018	2019
Current and Other Assets	$ 25,056,208	$ 31,530,374
Capital Assets	71,291,309	69,456,619
Total Assets	$ 96,347,517	$ 100,986,993
Other Deferred Outflows	$ 6,683,233	$ 6,949,156
Long-term Liabilities Outstanding	$ 16,804,381	$ 15,921,380
Other Liabilities	4,887,592	7,012,680
Total Liabilities	$ 21,691,973	$ 22,934,060
Total Deferred Inflows of Resources	$ 16,013,883	$ 17,912,971
Net Position:		
Net Investment in Capital Assets	$ 71,291,309	$ 69,456,619
Restricted	3,040,533	5,918,147
Unrestricted	(9,006,948)	(8,285,648)
Total Net Position	$ 65,324,894	$ 67,089,118

Jefferson County's and the Discretely Presented Jefferson County School Department's Net Position (Cont.)

	Jefferson County Primary Government Business Type Activities	
	2018	2019
Current and Other Assets	$ 1,111,422	$ 1,726,050
Capital Assets	2,750,020	$ 2,701,352
Total Assets	$ 3,861,442	$ 4,427,402
Total Deferred Outflows of Resources	$ 78,859	$ 62,949
Long-term Liabilities Outstanding	$ 4,688,772	$ 4,745,648
Other Liabilities	144,279	142,863
Total Liabilities	$ 4,833,051	$ 4,888,511
Total Deferred Inflows of Resources	$ 34,603	$ 29,064
Net Position:		
Net Investment in Capital Assets	$ 2,750,020	$ 2,701,353
Restricted	63,137	68,445
Unrestricted	(3,740,510)	(3,197,022)
Total Net Position	$ (927,353)	$ (427,224)

By far, the largest portion of Jefferson County's Governmental Activities and the discretely presented Jefferson County School Department's net position is $92.2 million and $69.5 million respectively, reflecting their investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. Jefferson County Governmental Activities and the discretely presented Jefferson County School Department use these capital assets to provide services to its citizenry; therefore, these assets are not available to meet any obligations. Although Jefferson County's Governmental Activities investment in capital assets is reported net of related debt, resources needed to repay this debt must come from outside resources because the capital assets themselves cannot be liquidated to pay these liabilities.

An additional portion of Jefferson County's Governmental Activities and the discretely presented Jefferson County School Department's net position is $8.4 million and $5.9 million respectively, which are subject to external restrictions on how they may be used.

Jefferson County's Governmental Activities unrestricted net position is a negative $28.1 million. This negative balance represents all unrestricted non-capital related assets net of Jefferson County's Government Activities debt of $8.3 million.

Jefferson County's Changes in Net Position

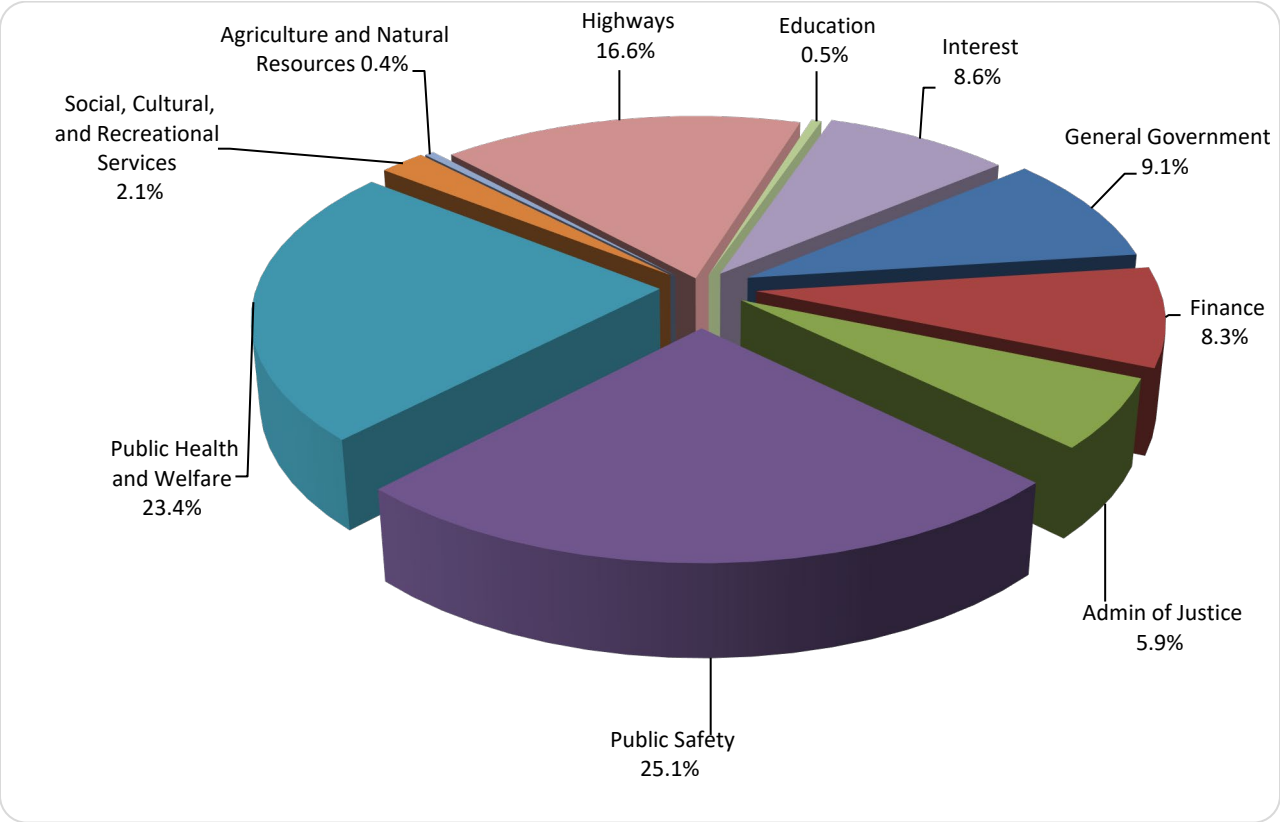
	Jefferson County Primary Government Governmental Activities	
	2018	2019
Revenues:		
Program Revenues:		
Charges for Services	$ 11,189,165	$ 9,960,838
Operating Grants and Contributions	3,167,856	4,211,896
Capital Grants and Contributions	164,900	745,351
General Revenues:		
Property Taxes	18,091,990	18,088,711
Sales Taxes	2,227,598	2,573,662
Other Taxes	3,995,575	4,073,966
Grants and Contributions Not Restricted to Specific Programs	1,066,062	1,070,298
Unrestricted Investment Income	367,909	832,006
Miscellaneous	9,961	14,189
Total Revenues	$ 40,281,016	$ 41,570,917
Expenses:		
General Government	3,337,576	3,103,522
Finance	2,868,720	2,852,464
Administration of Justice	2,104,268	2,012,753
Public Safety	8,583,189	8,575,988
Public Health and Welfare	7,060,067	7,990,657
Social, Cultural, and Recreational Services	687,227	733,809
Agriculture and Natural Resources	153,407	152,833
Highways	5,716,557	5,674,815
Education	1,025,940	160,000
Interest on Long-term Debt	3,203,740	2,959,011
Total Expenses	$ 34,740,691	$ 34,215,852
Increase (Decrease) in Net Position	5,540,325	7,355,065
Net Position, July 1	59,390,885	65,102,338
Restatement - Pension Liability	171,128	0
Net Position, June 30	$ 65,102,338	$ 72,457,403

Discretely Presented Jefferson County School Department's Changes in Net Position

	Jefferson County School Department Governmental Activities	
	2018	2019
Revenues:		
Program Revenues:		
Charges for Services	$ 1,153,402	$ 1,278,364
Operating Grants and Contributions	7,200,031	7,455,117
Capital Grants and Contributions	1,062,422	170,000
General Revenues:		
Property Taxes	10,630,870	10,633,231
Sales Taxes	5,287,707	5,577,040
Other Taxes	32,904	32,578
Grants and Contributions Not Restricted to Specific Programs	39,600,288	40,607,792
Unrestricted Investment Income	7,198	8,081
Miscellaneous	10,119	32,480
Total Revenues	$ 64,984,941	$ 65,794,683
Expenses:		
Education	$ 62,815,485	$ 64,030,459
Total Expenses	$ 62,815,485	$ 64,030,459
Increase (Decrease) in Net Position	$ 2,169,456	$ 1,764,224
Net Position, July 1	66,431,218	65,324,894
Restatement - Pension Liability	(3,275,780)	0
Net Position, June 30	$ 65,324,894	$ 67,089,118

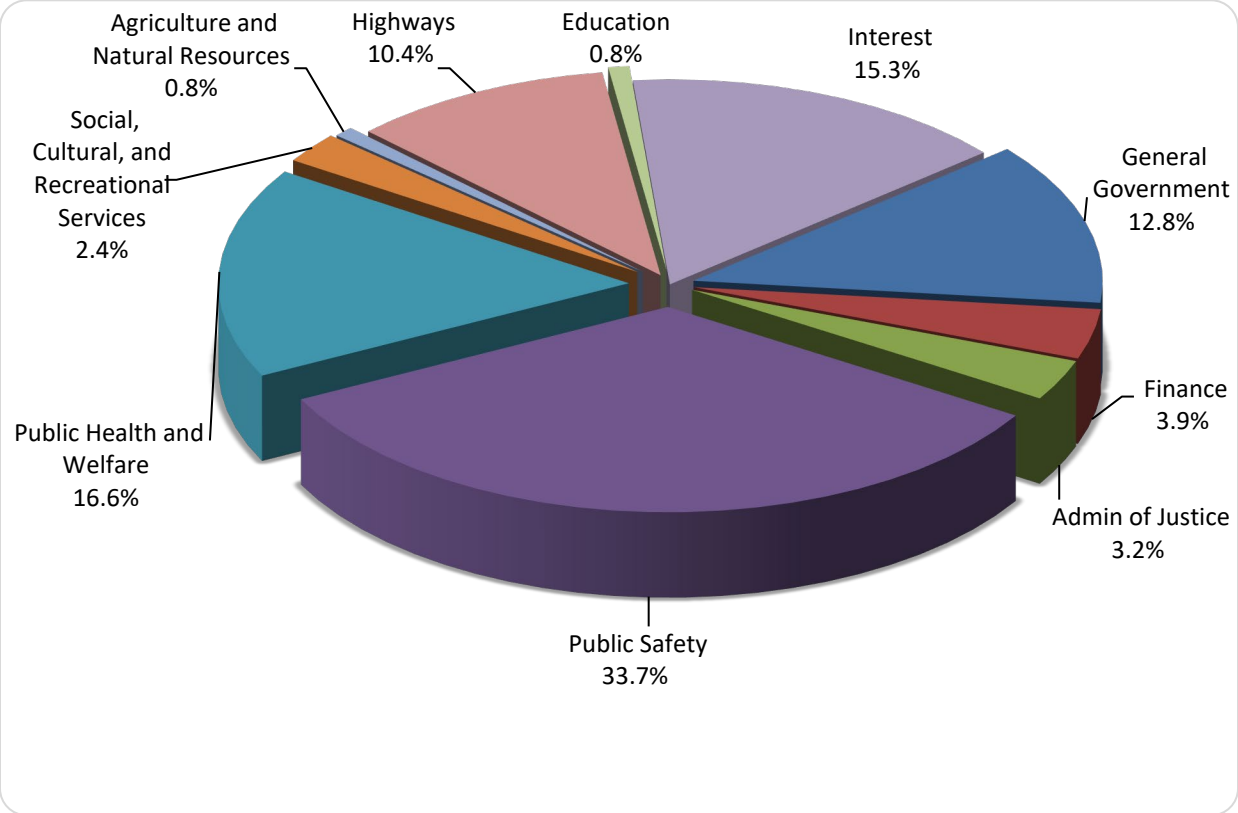
Governmental Activities Program Expenses

Public Safety expenses of $8.6 million, Public Health of $8.0 million, and Highways expenses of $5.7 million are the largest expenses of Jefferson County, which when combined total $22.3 million and are 65 percent of total expenses. For additional details, see illustrations below. Note that amounts are rounded to one decimal place in the following chart.



Net Expenses by Governmental Activities

The following illustration shows the "net (expenses)" from Exhibit B as a percentage of the total. Unlike the preceding illustration, this one not only shows the percentage of total costs, it shows the impact the program had on the local citizens' tax base, as a percentage. Net expense is all program expenses less all program revenues. Note all amounts are recorded to one decimal place in the following chart.

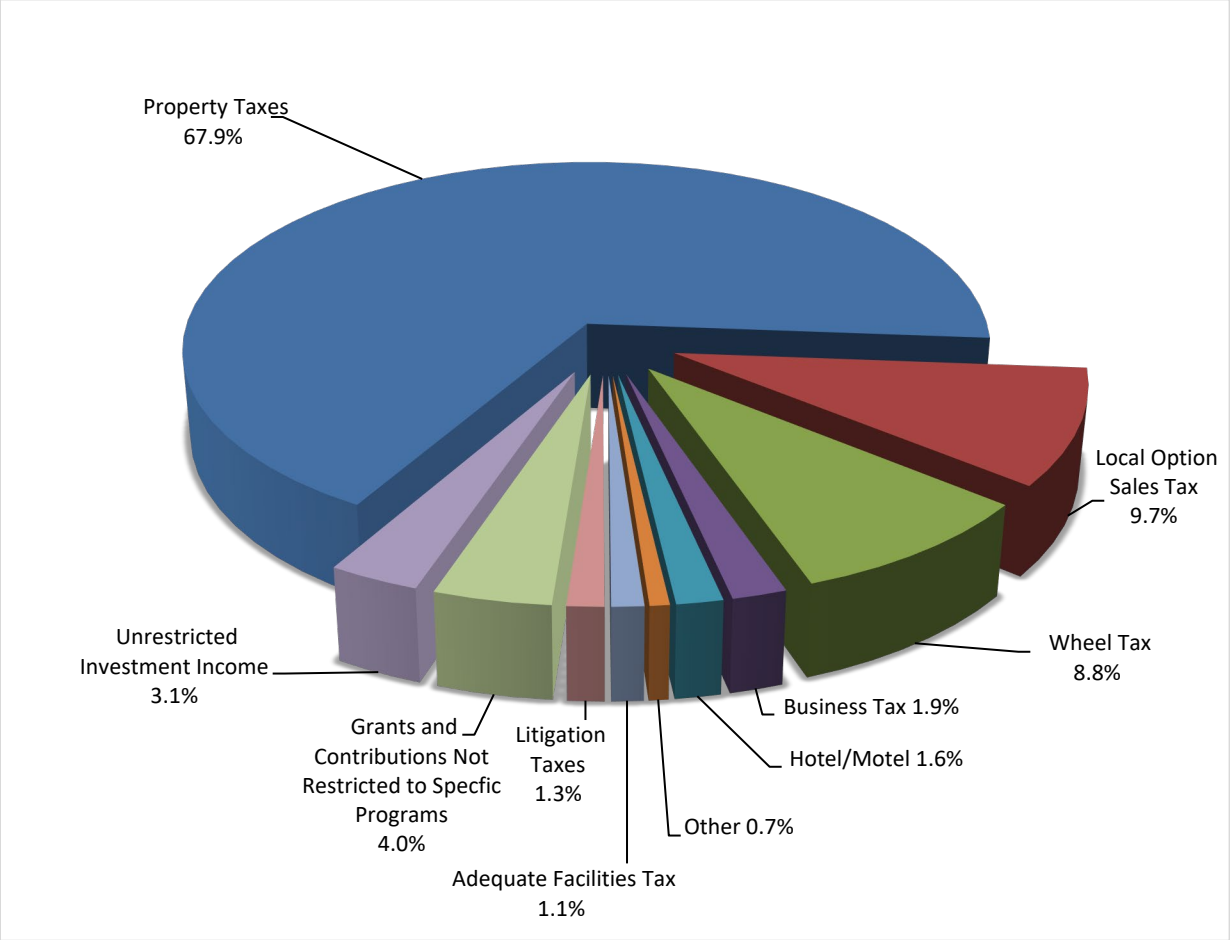


Revenues on the government-wide Statement of Activities are broken into two major categories, program and general revenues.

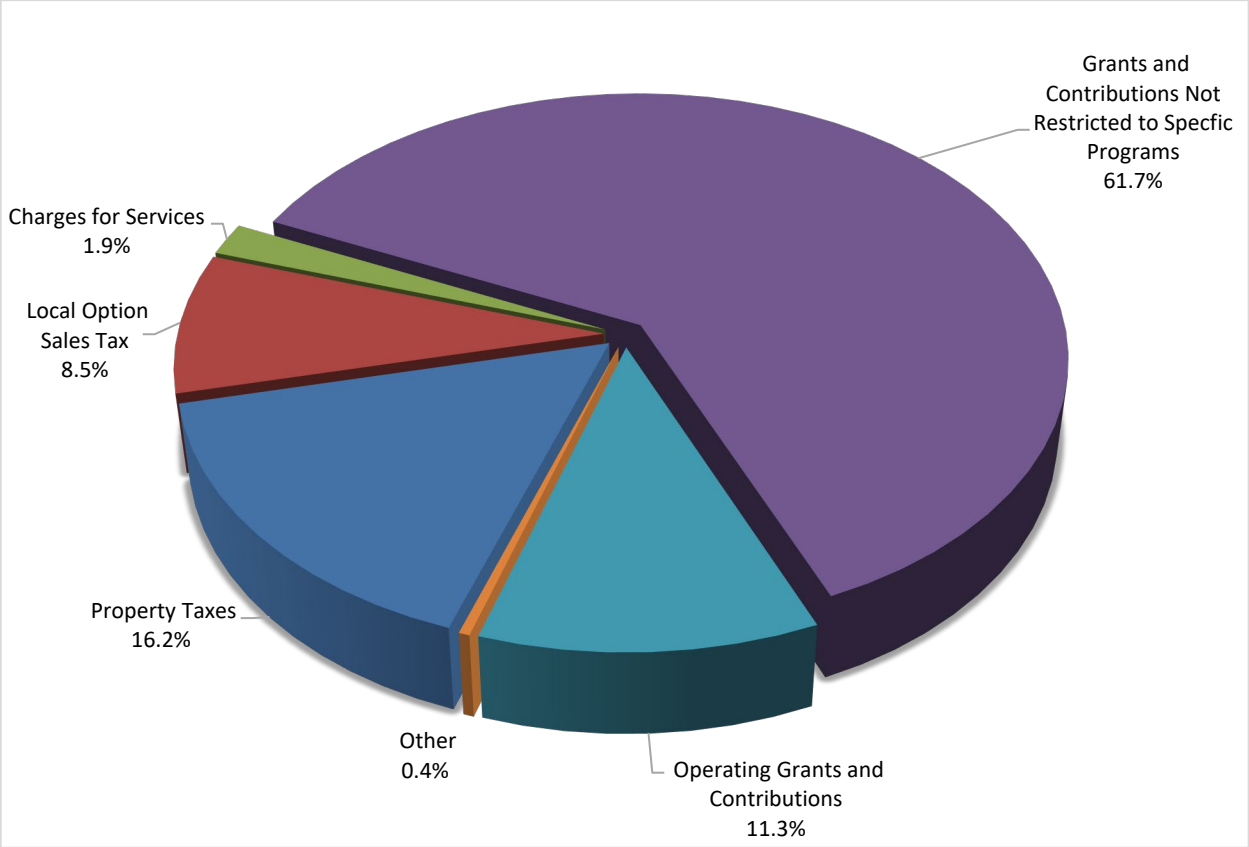
Program revenues are three types: charges for services (arise from charges to customers), operating grants and contributions (restricted for a specific purpose), and capital grants and contributions (restricted for a specific purpose).

General revenues are all revenues that do not qualify as program revenues and by far are the largest revenue source. The largest single revenue sources within this major category are property taxes for the county and grants and contributions not restricted to specific programs for the discretely presented Jefferson County School Department. Note all amounts are rounded to one decimal place in the following charts.

Primary Government
General Revenues by Source – Governmental Activities



Jefferson County School Department
General Revenues by Source – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Jefferson County and the discretely presented Jefferson County School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Jefferson County's and the discretely presented Jefferson County School Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Jefferson County's and the discretely presented Jefferson County School Department's financing requirements.

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

- Non-spendable Fund Balance – Jefferson County reflected $20,164 in the General Debt Service Fund. The discretely presented Jefferson County School Department's governmental funds did not reflect any non-spendable fund balances as of June 30,

2019. Non-spendable funds are funds that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- Restricted Fund Balance – The restricted fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $5.7 million and $2.0 million respectively, includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balance – The committed fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $18.4 million and $3.3 million respectively, includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the county commission, the county's highest level of decision-making authority.

- Assigned Fund Balance – The assigned fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $0.4 million and $0.2 million, respectively, includes amounts that are constrained by the intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county commission or the finance director is authorized to make assignments.

- Unassigned Fund Balance – The unassigned fund balance reflected in Jefferson County's and the discretely presented Jefferson County School Department's governmental funds totaling $5.7 million and $3.1 million, respectively, represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds. This is the residual classification for the General and General Purpose School funds.

As of the end of the current fiscal year, Jefferson County's governmental funds reported fund balances totaling $30.4 million an increase of $2.8 million. The discretely presented Jefferson County School Department's governmental funds reported fund balances totaling $8.6 million, an increase of $0.6 million.

The General Fund is the chief operating fund of Jefferson County. At the end of the current fiscal year, unassigned fund balance was $5.7 million, while total fund balance reached $9.1 million. Total fund balance for the General Fund increased $0.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 25.6 percent of total General Fund expenditures, while total fund balance represents 41.2 percent of that same amount.

The Other Special Revenue Fund had a fund balance of $6.9 million at June 30, 2019, an increase of $0.8 million. The Highway Public Works Fund had a fund balance of $3.2 million at June 30, 2019, an increase of $0.5 million. The General Debt Service Fund had a total fund balance of $9.7 million at June 30, 2019, an increase of $1.5 million.

The General Purpose School Fund is the chief operating fund of the discretely presented Jefferson County School Department. At the end of the current fiscal year, unassigned fund balance was $3.1 million, while total fund balance was $4.4 million. Total fund balance for the General Purpose School Fund decreased $0.7 million. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 5.5 percent of total General Purpose School Fund expenditures, while total fund balance represents 7.9 percent of that same amount.

BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

During the fiscal year, appropriations from the original budget were increased. These differences are summarized in the following table:

	Original	Amended	Increase (Decrease)
Appropriations:			
General Government	$ 2,814,823	$ 2,837,368	$ 22,545
Finance	2,261,918	2,294,587	32,669
Administration of Justice	1,720,111	1,752,718	32,607
Public Safety	8,246,624	8,296,720	50,096
Public Health and Welfare	5,486,044	5,720,886	234,842
Social, Cultural, and Recreational Services	678,914	703,235	24,321
Agriculture and Natural Resources	153,564	153,564	0
Other Operations	1,310,284	1,330,284	20,000
Capital Projects	0	278,000	278,000
Total Appropriations	$ 22,672,282	$ 23,367,362	$ 695,080

At the close of the fiscal year, actual expenditures were $1.4 million less than budgetary estimates.

Discretely Presented Jefferson County School Department – General Purpose Fund Budgetary Highlights

The differences in the original and the final budget's appropriations increased by $1.0 million compared to the original budget of $56.9 million. At the close of the fiscal year, actual expenditures were $1.9 million less than budgetary estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Jefferson County's investment in capital assets for its governmental activities, net of accumulated depreciation, as of June 30, 2019, totaled $98.5 million. This investment in capital assets includes land, buildings and improvements, other capital assets (includes vehicles and equipment), and infrastructure (includes roads, highways, and bridges).

Asset	Historical Value	Accumulated Depreciation	Net Value 6-30-19
Land	$ 1,672,777	$ 0	$ 1,672,777
Construction in Progress	451,427	0	451,427
Buildings and Improvements	24,893,057	(8,113,105)	16,779,952
Machinery and Equipment	11,608,103	(8,406,890)	3,201,213
Infrastucture	118,189,117	(41,821,377)	76,367,740
Total	$ 156,814,481	$ (58,341,372)	$ 98,473,109

The discretely presented Jefferson County School Department's investment in capital assets, net of accumulated depreciation, as of June 30, 2019, totaled $69.5 million. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and other capital assets.

Asset	Historical Value	Accumulated Depreciation	Net Value 6-30-19
Land	$ 1,492,550	$ 0	$ 1,492,550
Construction in Progress	441,231	0	441,231
Buildings and Improvements	97,705,152	(33,445,859)	64,259,293
Machinery and Equipment	3,253,779	(2,377,914)	875,865
Other Capital Assets	6,302,640	(3,914,960)	2,387,680
Total	$ 109,195,352	$ (39,738,733)	$ 69,456,619

Additional details about Jefferson County's and the discretely presented Jefferson County School Department's capital assets can be found in the notes to the financial statements Note IV.B. A table of contents has been provided with the specific page number.

Long-term Debt

At the end of the current fiscal year, Jefferson County had long-term debt obligations outstanding of $66.3 million. Jefferson County made debt payments for outstanding principal totaling $4.4 million during the year. All of this debt is backed by the full faith and credit of the county. Jefferson County maintains a rating of "Aa3" from Moody's and "A+" from Standard and Poor's for general obligation debt. Additional information on Jefferson County Government's long-term debt can be found in Exhibit K-1, Exhibit K-2, and Note IV.D of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

On June 27, 2019 Jefferson County adopted a budget for the fiscal year ending June 30, 2019.

The distribution of the 2019 property tax rate is shown below:

Fund	Tax Rate
General	$ 0.87
Solid Waste/Sanitation	0.13
Highway	0.18
General Purpose School	0.81
General Debt Service	0.20
Total	$ 2.19

The unemployment rate for the county as of June 30, 2019, was 4.4 percent. This can be attributed to the economic activity in the form of expansions by current manufacturing companies and several new retail developments. The state's average unemployment rate as of June 30, 2019, was 4.0 percent and the national average was 3.2 percent.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Jefferson County Government, PO Box 1749, Dandridge, Tennessee 37725.

Basic Financial Statements

Exhibit A

Jefferson County, Tennessee
Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home
ASSETS					
Cash and Cash Equivalents	$ 197,467	$ 25	$ 197,492	$ 18,583	$ 2,224,705
Equity in Pooled Cash and Investments	29,229,014	1,906,052	31,135,066	13,450,800	0
Inventories	0	0	0	0	28,419
Accounts Receivable	3,621,349	113,976	3,735,325	57,766	1,449,002
Allowance for Uncollectibles	(1,493,595)	(5,000)	(1,498,595)	0	(133,583)
Due from Other Governments	1,312,470	0	1,312,470	2,425,600	0
Due from Primary Government	0	0	0	5,098	0
Due from Component Units	6,145,000	0	6,145,000	0	0
Internal Balances	357,448	(357,448)	0	0	0
Property Taxes Receivable	18,294,559	0	18,294,559	12,002,070	0
Allowance for Uncollectible Property Taxes	(813,077)	0	(813,077)	(506,658)	0
Prepaid Expenses	20,164	0	20,164	0	18,275
Restricted Assets:					
Amounts Accumulated for Pension Benefits	53,722	3,157	56,879	122,885	62,414
Other Restricted Assets	0	0	0	0	14,297
Net Pension Asset - Public Employee Legacy Pension Plan	2,228,193	63,391	2,291,584	1,348,975	762,100
Net Pension Asset - Public Employee Hybrid Retirement Plan	32,294	1,897	34,191	8,851	65,295
Net Pension Asset - Teacher Hybrid Retirement Plan	0	0	0	198,123	0
Net Pension Asset - Teacher Legacy Pension Plan	0	0	0	2,398,281	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,672,777	510,430	2,183,207	1,492,550	7,181
Construction in Progress	451,427	365,943	817,370	441,231	15,910
Assets Net of Accumulated Depreciation:					
Landfill Facilities and Development	0	45,581	45,581	0	0
Buildings and Improvements	16,779,952	126,580	16,906,532	64,259,293	6,204,331
Machinery and Equipment	3,201,213	1,652,818	4,854,031	875,865	468,719
Other Capital Assets	0	0	0	2,387,680	4,700
Infrastructure	76,367,740	0	76,367,740	0	0
Total Assets	$ 157,658,117	$ 4,427,402	$ 162,085,519	$ 100,986,993	$ 11,191,765

(Continued)

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	$ 128,752	$ 0	$ 128,752	$ 0	$ 0
Pension Changes in Experience	343,960	10,400	354,360	697,518	151,688
Pension Changes in Assumptions	589,502	16,771	606,273	1,782,676	201,625
Pension Changes in Proportion	0	0	0	202,271	0
Pension Contributions After Measurement Date	1,137,565	32,898	1,170,463	3,186,482	423,506
OPEB Changes in Assumptions	41,060	1,996	43,056	289,883	0
OPEB Changes in Proportion	0	0	0	39,322	0
OPEB Contributions After Measurement Date	18,179	884	19,063	751,004	0
Total Deferred Outflows of Resources	$ 2,259,018	$ 62,949	$ 2,321,967	$ 6,949,156	$ 776,819
LIABILITIES					
Accounts Payable	$ 246,425	$ 4,835	$ 251,260	$ 203,570	$ 228,519
Accrued Payroll	43,057	10,570	53,627	343,066	92,932
Payroll Deductions Payable	288,395	1,663	290,058	5,228,746	27,208
Accrued Leave - Current	0	0	0	0	150,840
Contracts Payable	0	0	0	944,167	0
Retainage Payable	0	3,128	3,128	49,693	0
Claims and Judgments Payable	61,524	0	61,524	0	0
Accrued Interest Payable	205,789	0	205,789	0	12,261
Due to Primary Government	0	0	0	0	6,145,000
Due to Component Units	5,098	0	5,098	0	0
Due to the State of Tennessee	23,840	271	24,111	0	0
Estimated Third-party Payor Settlements	0	0	0	0	21,662
Other Current Liabilities	0	0	0	0	64,727
Noncurrent Liabilities:					
Due Within One Year - Debt	4,608,491	0	4,608,491	0	0
Due Within One Year - Other	261,369	122,396	383,765	243,438	0
Due in More Than One Year - Debt	62,837,028	0	62,837,028	0	0
Due in More Than One Year - Other	820,044	4,745,648	5,565,692	15,921,380	0
Total Liabilities	$ 69,401,060	$ 4,888,511	$ 74,289,571	$ 22,934,060	$ 6,743,149

(Continued)

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 17,109,951	$ 0	$ 17,109,951	$ 11,277,012	$ 0
Pension Changes in Experience	662,352	18,844	681,196	3,644,358	226,542
Pension Changes in Investment Earnings	184,668	5,276	189,944	644,710	64,414
Pension Changes in Proportion	0	0	0	30,100	0
OPEB Changes in Experience	73,985	3,597	77,582	1,728,593	0
OPEB Changes in Assumptions	27,716	1,347	29,063	588,198	0
Total Deferred Inflows of Resources	$ 18,058,672	$ 29,064	$ 18,087,736	$ 17,912,971	$ 290,956
NET POSITION					
Net Investment in Capital Assets	$ 92,165,297	$ 2,701,353	$ 94,866,650	$ 69,456,619	$ 551,141
Restricted for:					
General Government	550,743	0	550,743	0	0
Finance	173,933	0	173,933	0	0
Administration of Justice	475,413	0	475,413	0	0
Public Safety	207,129	0	207,129	0	0
Public Health and Welfare	469,690	0	469,690	0	0
Social, Cultural, and Recreational Services	110,583	0	110,583	0	0
Highway/Public Works	3,374,740	0	3,374,740	0	0
Debt Service	43,779	0	43,779	0	0
Education	0	0	0	1,841,032	0
Capital Projects	703,295	0	703,295	0	0
Other Purposes	0	0	0	0	14,297
Pensions	2,314,209	68,445	2,382,654	4,077,115	889,809
Unrestricted	(28,131,408)	(3,197,022)	(31,328,430)	(8,285,648)	3,479,232
Total Net Position	$ 72,457,403	$ (427,224)	$ 72,030,179	$ 67,089,118	$ 4,934,479

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

Exhibit B

Jefferson County, Tennessee
Statement of Activities
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home
Primary Government:									
Governmental Activities:									
General Government	$ 3,103,522	$ 605,802	$ 23,265	$ 0	$ (2,474,455)	$ 0	$ (2,474,455)	$ 0	$ 0
Finance	2,852,464	2,092,845	0	0	(759,619)	0	(759,619)	0	0
Administration of Justice	2,012,753	1,291,065	53,693	45,403	(622,592)	0	(622,592)	0	0
Public Safety	8,575,988	1,945,638	128,165	0	(6,502,185)	0	(6,502,185)	0	0
Public Health and Welfare	7,990,657	3,732,222	430,767	624,179	(3,203,489)	0	(3,203,489)	0	0
Social, Cultural, and Recreational Services	733,809	110,236	156,808	1,000	(465,765)	0	(465,765)	0	0
Agriculture and Natural Resources	152,833	0	0	0	(152,833)	0	(152,833)	0	0
Highways	5,674,815	183,030	3,419,198	74,769	(1,997,818)	0	(1,997,818)	0	0
Education	160,000	0	0	0	(160,000)	0	(160,000)	0	0
Interest on Long-term Debt	2,959,011	0	0	0	(2,959,011)	0	(2,959,011)	0	0
Total Governmental Activities	$ 34,215,852	$ 9,960,838	$ 4,211,896	$ 745,351	$ (19,297,767)	$ 0	$ (19,297,767)	$ 0	$ 0
Business-type Activities:									
Solid Waste Disposal	$ 1,578,246	$ 2,017,172	$ 46,763	$ 0	$ 0	$ 485,689	$ 485,689	$ 0	$ 0
Total Business-type Activities	$ 1,578,246	$ 2,017,172	$ 46,763	$ 0	$ 0	$ 485,689	$ 485,689	$ 0	$ 0
Total Primary Government	$ 35,794,098	$ 11,978,010	$ 4,258,659	$ 745,351	$ (19,297,767)	$ 485,689	$ (18,812,078)	$ 0	$ 0
Component Units:									
Jefferson County School Department	$ 64,030,459	$ 1,278,364	$ 7,455,117	$ 170,000	$ 0	$ 0	$ 0	$ (55,126,978)	$ 0
Jefferson County Nursing Home	13,084,815	13,775,261	0	0	0	0	0	0	690,446
Total Component Units	$ 77,115,274	$ 15,053,625	$ 7,455,117	$ 170,000	$ 0	$ 0	$ 0	$ (55,126,978)	$ 690,446

(Continued)

Exhibit B

Jefferson County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					$ 15,399,844	$ 0	$ 15,399,844	$ 10,633,231	$ 0
Property Taxes Levied for Debt Service					2,688,867	0	2,688,867	0	0
Local Option Sales Taxes					2,573,662	0	2,573,662	5,577,040	0
Hotel/Motel Tax					423,809	0	423,809	0	0
Wheel Tax					2,355,081	0	2,355,081	0	0
Litigation Tax - General					119,346	0	119,346	0	0
Litigation Tax - Special Purpose					13,307	0	13,307	0	0
Litigation Tax - Jail, Workhouse, or Courthouse					205,039	0	205,039	0	0
Business Tax					497,412	0	497,412	0	0
Mixed Drink Tax					0	0	0	32,578	0
Adequate Facilities Tax					293,589	0	293,589	0	0
Wholesale Beer Tax					166,383	0	166,383	0	0
Grants and Contributions Not Restricted to Specific Programs					1,070,298	0	1,070,298	40,607,792	0
Unrestricted Investment Income					832,006	0	832,006	8,081	2,171
Gain on Investments					2,580	152	2,732	6,156	2,998
Gain on Disposal of Capital Assets					2,384	14,288	16,672	12,883	0
Miscellaneous					9,225	0	9,225	13,441	0
Total General Revenues					$ 26,652,832	$ 14,440	$ 26,667,272	$ 56,891,202	$ 5,169
Change in Net Position					$ 7,355,065	$ 500,129	$ 7,855,194	$ 1,764,224	$ 695,615
Net Position, July 1, 2018					65,102,338	(927,353)	64,174,985	65,324,894	4,238,864
Net Position, June 30, 2019					$ 72,457,403	$ (427,224)	$ 72,030,179	$ 67,089,118	$ 4,934,479

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

Exhibit C-1

Jefferson County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS						
Cash	$ 33,786	$ 0	$ 0	$ 0	$ 163,681	$ 197,467
Equity in Pooled Cash and Investments	8,805,184	6,941,278	3,039,283	9,088,038	1,336,186	29,209,969
Accounts Receivable	3,601,047	0	9,130	7,458	3,714	3,621,349
Allowance for Uncollectibles	(1,493,595)	0	0	0	0	(1,493,595)
Due from Other Governments	596,718	0	414,729	263,975	37,048	1,312,470
Due from Other Funds	2,134	0	0	426,151	4,427	432,712
Property Taxes Receivable	11,216,602	0	2,493,752	2,769,662	1,814,543	18,294,559
Allowance for Uncollectible Property Taxes	(493,894)	0	(110,370)	(122,017)	(86,796)	(813,077)
Prepaid Items	0	0	0	20,164	0	20,164
Restricted Assets	53,722	0	0	0	0	53,722
Total Assets	$ 22,321,704	$ 6,941,278	$ 5,846,524	$ 12,453,431	$ 3,272,803	$ 50,835,740
LIABILITIES						
Accounts Payable	$ 155,720	$ 0	$ 44,143	$ 500	$ 42,513	$ 242,876
Accrued Payroll	0	0	33,924	0	9,133	43,057
Payroll Deductions Payable	279,347	0	5,874	0	3,174	288,395
Claims and Judgments Payable	61,524	0	0	0	0	61,524
Due to Other Funds	4,427	0	0	0	70,837	75,264
Due to Component Units	5,098	0	0	0	0	5,098
Due to State of Tennessee	23,130	0	114	0	596	23,840
Total Liabilities	$ 529,246	$ 0	$ 84,055	$ 500	$ 126,253	$ 740,054

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 10,499,288	$ 0	$ 2,333,175	$ 2,592,417	$ 1,685,071	$ 17,109,951
Deferred Delinquent Property Taxes	177,104	0	39,799	43,779	33,829	294,511
Other Deferred/Unavailable Revenue	1,981,783	0	207,364	131,988	0	2,321,135
Total Deferred Inflows of Resources	$ 12,658,175	$ 0	$ 2,580,338	$ 2,768,184	$ 1,718,900	$ 19,725,597
FUND BALANCES						
Nonspendable:						
Prepaid Items	$ 0	$ 0	$ 0	$ 20,164	$ 0	$ 20,164
Restricted:						
Restricted for General Government	538,789	0	0	0	11,954	550,743
Restricted for Finance	11,802	0	0	0	162,131	173,933
Restricted for Administration of Justice	468,076	0	0	0	7,337	475,413
Restricted for Public Safety	147,532	0	0	0	59,597	207,129
Restricted for Public Health and Welfare	6,670	0	0	0	445,761	452,431
Restricted for Social, Cultural, and Recreational Services	110,583	0	0	0	0	110,583
Restricted for Highways/Public Works	0	0	3,182,131	0	0	3,182,131
Restricted for Capital Projects	0	0	0	0	699,315	699,315
Restricted for Hybrid Retirement Stabilization Funds	53,722	0	0	0	0	53,722
Committed:						
Committed for General Government	918,809	0	0	0	0	918,809
Committed for Public Health and Welfare	795,000	0	0	0	41,555	836,555
Committed for Other Operations	0	6,941,278	0	0	0	6,941,278
Committed for Debt Service	0	0	0	9,664,583	0	9,664,583
Assigned:						
Assigned for General Government	5,475	0	0	0	0	5,475

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES (Cont.)						
Assigned (Cont.):						
Assigned for Finance	$ 9,931	$ 0	$ 0	$ 0	$ 0	$ 9,931
Assigned for Administration of Justice	14,467	0	0	0	0	14,467
Assigned for Public Safety	42,966	0	0	0	0	42,966
Assigned for Other Operations	340,337	0	0	0	0	340,337
Unassigned	5,670,124	0	0	0	0	5,670,124
Total Fund Balances	$ 9,134,283	$ 6,941,278	$ 3,182,131	$ 9,684,747	$ 1,427,650	$ 30,370,089
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 22,321,704	$ 6,941,278	$ 5,846,524	$ 12,453,431	$ 3,272,803	$ 50,835,740

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

Exhibit C-2

Jefferson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:		
Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 30,370,089
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,672,777	
Add: construction in progress	451,427	
Add: buildings and improvements net of accumulated depreciation	16,779,952	
Add: other capital assets net of accumulated depreciation	3,201,213	
Add: infrastructure net of accumulated depreciation	76,367,740	98,473,109
(2) An internal service fund is used by management to charge the cost of employee dental and vision programs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		15,496
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	$ (12,653,983)	
Less: bonds payable	(53,645,000)	
Add: bonds to be paid by nursing home for the primary government	6,145,000	
Add: deferred charge on refunding	128,752	
Less: unamortized premium on debt	(1,146,536)	
Less: accrued interest on bonds and other loans	(205,789)	
Less: compensated absences payable	(373,384)	
Less: other postemployment benefits liability	(708,029)	(62,458,969)
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.		
Add: deferred outflows of resources related to pensions	$ 2,071,027	
Less: deferred inflows of resources related to pensions	(847,020)	
Add: deferred outflows of resources related to OPEB	59,239	
Less: deferred inflows of resources related to OPEB	(101,701)	1,181,545
(5) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - public employee legacy pension plan	$ 2,228,193	
Add: net pension asset - public employee hybrid retirement plan	32,294	2,260,487
(6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		2,615,646
Net position of governmental activities (Exhibit A)		$ 72,457,403

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

Exhibit C-3

Jefferson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 13,351,621	$ 0	$ 2,465,375	$ 6,845,366	$ 2,223,343	$ 24,885,705
Licenses and Permits	403,933	0	0	0	0	403,933
Fines, Forfeitures, and Penalties	483,904	0	0	0	40,611	524,515
Charges for Current Services	3,581,986	0	140,413	0	759,308	4,481,707
Other Local Revenues	721,110	758,676	89	1,228,927	19,080	2,727,882
Fees Received From County Officials	1,966,679	0	0	0	0	1,966,679
State of Tennessee	1,954,086	0	2,421,092	0	109,903	4,485,081
Federal Government	856,289	0	0	447,426	422,055	1,725,770
Other Governments and Citizens Groups	144,147	0	0	0	0	144,147
Total Revenues	$ 23,463,755	$ 758,676	$ 5,026,969	$ 8,521,719	$ 3,574,300	$ 41,345,419
Expenditures						
Current:						
General Government	$ 2,597,618	$ 0	$ 0	$ 0	$ 196	$ 2,597,814
Finance	2,090,289	7,567	0	0	778,285	2,876,141
Administration of Justice	1,645,397	0	0	0	0	1,645,397
Public Safety	7,810,604	0	0	0	53,104	7,863,708
Public Health and Welfare	5,529,997	0	0	0	1,840,304	7,370,301
Social, Cultural, and Recreational Services	671,128	0	0	0	0	671,128
Agriculture and Natural Resources	152,357	0	0	0	0	152,357
Other Operations	1,315,981	0	0	0	0	1,315,981
Highways	0	0	4,539,619	0	0	4,539,619
Debt Service:						
Principal on Debt	0	0	0	4,428,127	0	4,428,127
Interest on Debt	0	0	0	3,011,603	0	3,011,603
Other Debt Service	0	0	0	134,102	0	134,102

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)						
Capital Projects	$ 160,000	$ 0	$ 0	$ 0	$ 1,786,000	$ 1,946,000
Total Expenditures	$ 21,973,371	$ 7,567	$ 4,539,619	$ 7,573,832	$ 4,457,889	$ 38,552,278
Excess (Deficiency) of Revenues Over Expenditures	$ 1,490,384	$ 751,109	$ 487,350	$ 947,887	$ (883,589)	$ 2,793,141
Other Financing Sources (Uses)						
Insurance Recovery	$ 38,553	$ 0	$ 3,911	$ 0	$ 0	$ 42,464
Transfers In	0	0	0	512,355	399,390	911,745
Transfers Out	(811,745)	0	0	0	(100,000)	(911,745)
Total Other Financing Sources (Uses)	$ (773,192)	$ 0	$ 3,911	$ 512,355	$ 299,390	$ 42,464
Net Change in Fund Balances	$ 717,192	$ 751,109	$ 491,261	$ 1,460,242	$ (584,199)	$ 2,835,605
Fund Balance, July 1, 2018	8,417,091	6,190,169	2,690,870	8,224,505	2,011,849	27,534,484
Fund Balance, June 30, 2019	$ 9,134,283	$ 6,941,278	$ 3,182,131	$ 9,684,747	$ 1,427,650	$ 30,370,089

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

Jefferson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:		
Net change in fund balances - total governmental funds (Exhibit C-3)		$ 2,835,605
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 2,053,618	
Less: current-year depreciation expense	(2,979,979)	(926,361)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase (decrease) net position.		
Add: assets donated and capitalized		1,072,875
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2019	$ 2,615,646	
Less: deferred delinquent property taxes and other deferred June 30, 2018	(3,203,022)	(587,376)
(4) The issuance of long-term debt (e.g., bonds, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: change in unamortized premium on debt issues	$ 227,911	
Add: principal payments on bonds	2,385,000	
Add: principal payments on other loans	2,043,127	
Less: change in deferred amounts on refunding debt	(50,447)	
Less: contributions from Nursing Home for bond	(260,000)	4,345,591
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 9,230	
Change in compensated absences payable	(3,688)	
Change in net OPEB liability	38,285	
Change in net pension asset/liability	571,658	
Change in deferred outflows related to pensions	7,018	
Change in deferred inflows related to pensions	35,229	
Change in deferred outflows related to OPEB	44,404	
Change in deferred inflows related to OPEB	(67,155)	634,981

(Continued)

Jefferson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Cont.)

(6) Internal service funds are used by management to charge the cost of employee dental and vision benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.	$ (20,250)
Change in net position of governmental activities (Exhibit B)	$ 7,355,065

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

Exhibit C-5

Jefferson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2019

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 13,351,621	$ 0	$ 0	$ 13,351,621	$ 12,797,499	$ 12,797,499	$ 554,122
Licenses and Permits	403,933	0	0	403,933	363,000	363,000	40,933
Fines, Forfeitures, and Penalties	483,904	0	0	483,904	358,700	358,700	125,204
Charges for Current Services	3,581,986	0	0	3,581,986	3,545,108	3,558,344	23,642
Other Local Revenues	721,110	0	0	721,110	743,930	835,738	(114,628)
Fees Received From County Officials	1,966,679	0	0	1,966,679	1,728,000	1,728,000	238,679
State of Tennessee	1,954,086	0	0	1,954,086	2,034,161	1,934,925	19,161
Federal Government	856,289	0	0	856,289	579,303	687,521	168,768
Other Governments and Citizens Groups	144,147	0	0	144,147	162,300	162,300	(18,153)
Total Revenues	$ 23,463,755	$ 0	$ 0	$ 23,463,755	$ 22,312,001	$ 22,426,027	$ 1,037,728
Expenditures							
General Government							
County Commission	$ 249,796	$ 0	$ 0	$ 249,796	$ 290,906	$ 311,306	$ 61,510
Board of Equalization	2,461	0	0	2,461	3,775	3,775	1,314
County Mayor/Executive	234,514	0	0	234,514	269,828	269,828	35,314
Election Commission	336,744	0	50	336,794	367,258	367,258	30,464
Register of Deeds	316,765	0	1,496	318,261	320,850	320,850	2,589
Codes Compliance	115,924	0	0	115,924	117,970	117,970	2,046
County Buildings	995,476	(2,000)	3,929	997,405	1,027,968	1,028,852	31,447
Other Facilities	336,039	0	0	336,039	403,468	403,468	67,429
Other General Administration	0	0	0	0	2,500	2,500	2,500
Preservation of Records	9,899	0	0	9,899	10,300	11,561	1,662
Finance							
Accounting and Budgeting	693,862	0	0	693,862	734,427	737,496	43,634
Property Assessor's Office	532,635	0	0	532,635	555,017	570,017	37,382
County Trustee's Office	71,436	0	0	71,436	77,045	77,045	5,609
County Clerk's Office	120,750	0	0	120,750	130,429	135,029	14,279
Data Processing	132,670	(173)	0	132,497	150,009	160,009	27,512
Other Finance	538,936	0	0	538,936	614,991	614,991	76,055

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice							
Circuit Court	$ 744,948	$ 0	$ 321	$ 745,269	$ 761,934	$ 784,654	$ 39,385
General Sessions Court	292,002	0	0	292,002	298,516	299,016	7,014
Drug Court	30,144	0	0	30,144	39,500	39,500	9,356
Chancery Court	233,088	0	371	233,459	231,632	237,719	4,260
Juvenile Court	257,622	0	0	257,622	273,854	277,154	19,532
Other Administration of Justice	1,600	0	0	1,600	3,500	3,500	1,900
Victim Assistance Programs	85,993	0	0	85,993	111,175	111,175	25,182
Public Safety							
Sheriff's Department	3,981,749	(3,231)	2,324	3,980,842	4,219,094	4,219,190	238,348
Wheel Tax Officer	16,338	0	0	16,338	19,336	19,336	2,998
Administration of the Sexual Offender Registry	12,930	0	0	12,930	20,000	20,000	7,070
Jail	2,754,839	0	21,621	2,776,460	2,869,345	2,939,345	162,885
Workhouse	326,532	0	0	326,532	386,250	366,250	39,718
Inspection and Regulation	71,387	0	0	71,387	80,270	80,270	8,883
Public Safety Grants Program	27,000	0	0	27,000	32,500	32,500	5,500
Other Public Safety	619,829	0	0	619,829	619,829	619,829	0
Public Health and Welfare							
Local Health Center	296,908	0	644	297,552	347,940	350,440	52,888
Rabies and Animal Control	112,281	0	880	113,161	132,512	132,245	19,084
Ambulance/Emergency Medical Services	4,945,531	0	9,181	4,954,712	4,821,805	5,051,124	96,412
Sanitation Education/Information	68,021	0	316	68,337	69,835	73,125	4,788
Other Public Health and Welfare	107,256	0	0	107,256	113,952	113,952	6,696
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	211,734	0	0	211,734	224,679	224,679	12,945
Libraries	459,394	0	15	459,409	454,235	478,556	19,147
Agriculture and Natural Resources							
Agricultural Extension Service	112,795	0	0	112,795	113,269	113,269	474
Soil Conservation	39,562	0	0	39,562	40,295	40,295	733

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Other Operations							
Veterans' Services	$ 39,256	$ 0	$ 0	$ 39,256	$ 43,683	$ 43,683	$ 4,427
Contributions to Other Agencies	1,276,725	0	0	1,276,725	1,266,601	1,286,601	9,876
Capital Projects							
Other General Government Projects	0	0	0	0	0	118,000	118,000
Education Capital Projects	160,000	0	0	160,000	0	160,000	0
Total Expenditures	$ 21,973,371	$ (5,404)	$ 41,148	$ 22,009,115	$ 22,672,282	$ 23,367,362	$ 1,358,247
Excess (Deficiency) of Revenues Over Expenditures	$ 1,490,384	$ 5,404	$ (41,148)	$ 1,454,640	$ (360,281)	$ (941,335)	$ 2,395,975
Other Financing Sources (Uses)							
Insurance Recovery	$ 38,553	$ 0	$ 0	$ 38,553	$ 0	$ 37,401	$ 1,152
Transfers In	0	0	0	0	826,944	0	0
Transfers Out	(811,745)	0	0	(811,745)	(806,053)	(811,745)	0
Total Other Financing Sources	$ (773,192)	$ 0	$ 0	$ (773,192)	$ 20,891	$ (774,344)	$ 1,152
Net Change in Fund Balance	$ 717,192	$ 5,404	$ (41,148)	$ 681,448	$ (339,390)	$ (1,715,679)	$ 2,397,127
Fund Balance, July 1, 2018	8,417,091	(5,404)	0	8,411,687	8,766,004	8,766,004	(354,317)
Fund Balance, June 30, 2019	$ 9,134,283	$ 0	$ (41,148)	$ 9,093,135	$ 8,426,614	$ 7,050,325	$ 2,042,810

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

Exhibit C-6

Jefferson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2019

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Other Local Revenues	$ 758,676	$ 754,000	$ 754,000	$ 4,676
Total Revenues	$ 758,676	$ 754,000	$ 754,000	$ 4,676
Expenditures				
Finance				
Other Finance	$ 7,567	$ 7,600	$ 7,600	$ 33
Total Expenditures	$ 7,567	$ 7,600	$ 7,600	$ 33
Excess (Deficiency) of Revenues Over Expenditures	$ 751,109	$ 746,400	$ 746,400	$ 4,709
Other Financing Sources (Uses)				
Transfers Out	$ 0	$ (826,944)	$ 0	$ 0
Total Other Financing Sources	$ 0	$ (826,944)	$ 0	$ 0
Net Change in Fund Balance	$ 751,109	$ (80,544)	$ 746,400	$ 4,709
Fund Balance, July 1, 2018	6,190,169	6,190,169	6,190,169	0
Fund Balance, June 30, 2019	$ 6,941,278	$ 6,109,625	$ 6,936,569	$ 4,709

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

Exhibit C-7

Jefferson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2019

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 2,465,375	$ 0	$ 0	$ 2,465,375	$ 2,428,600	$ 2,428,600	$ 36,775
Charges for Current Services	140,413	0	0	140,413	55,000	55,000	85,413
Other Local Revenues	89	0	0	89	0	0	89
State of Tennessee	2,421,092	0	0	2,421,092	1,982,308	1,982,308	438,784
Federal Government	0	0	0	0	61,858	61,858	(61,858)
Total Revenues	$ 5,026,969	$ 0	$ 0	$ 5,026,969	$ 4,527,766	$ 4,527,766	$ 499,203
Expenditures							
Highways							
Administration	$ 268,567	$ 0	$ 2,470	$ 271,037	$ 297,162	$ 296,562	$ 25,525
Highway and Bridge Maintenance	2,369,945	0	50,998	2,420,943	2,414,933	2,480,683	59,740
Operation and Maintenance of Equipment	836,616	0	125,322	961,938	1,011,929	1,042,894	80,956
Quarry Operations	712,392	(16,083)	0	696,309	792,453	755,002	58,693
Asphalt Plant Operations	52,984	0	0	52,984	32,600	55,050	2,066
Other Charges	109,121	0	0	109,121	103,185	118,185	9,064
Employee Benefits	129,994	0	0	129,994	129,993	129,994	0
Capital Outlay	60,000	0	0	60,000	91,662	91,662	31,662
Total Expenditures	$ 4,539,619	$ (16,083)	$ 178,790	$ 4,702,326	$ 4,873,917	$ 4,970,032	$ 267,706
Excess (Deficiency) of Revenues Over Expenditures	$ 487,350	$ 16,083	$ (178,790)	$ 324,643	$ (346,151)	$ (442,266)	$ 766,909
Other Financing Sources (Uses)							
Insurance Recovery	$ 3,911	$ 0	$ 0	$ 3,911	$ 0	$ 3,911	$ 0
Total Other Financing Sources	$ 3,911	$ 0	$ 0	$ 3,911	$ 0	$ 3,911	$ 0

(Continued)

Exhibit C-7

Jefferson County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Net Change in Fund Balance	$ 491,261	$ 16,083	$ (178,790)	$ 328,554	$ (346,151)	$ (438,355)	$ 766,909
Fund Balance, July 1, 2018	2,690,870	(16,083)	0	2,674,787	2,076,605	2,076,605	598,182
Fund Balance, June 30, 2019	$ 3,182,131	$ 0	$ (178,790)	$ 3,003,341	$ 1,730,454	$ 1,638,250	$ 1,365,091

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

Exhibit D-1

Jefferson County, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
ASSETS		
Current Assets:		
Cash	$ 25	$ 0
Equity in Pooled Cash and Investments	1,906,052	19,045
Accounts Receivable	113,976	0
Allowance for Uncollectibles	(5,000)	0
Due from Other Funds	68,703	0
Total Current Assets	$ 2,083,756	$ 19,045
Noncurrent Assets:		
Restricted Assets	$ 3,157	$ 0
Net Pension Asset	65,288	0
Capital Assets:		
Assets Not Depreciated:		
Land	510,430	0
Construction in Progress	365,943	0
Assets Net of Accumulated Depreciation:		
Landfill Facilities and Development	45,581	0
Buildings and Improvements	126,580	0
Machinery and Equipment	1,652,818	0
Total Noncurrent Assets	$ 2,769,797	$ 0
Total Assets	$ 4,853,553	$ 19,045
DEFERRED OUTFLOWS OF RESOURCES		
Pension Changes in Experience	$ 10,400	$ 0
Pension Changes in Assumptions	16,771	0
Pension Contributions After Measurement Date	32,898	0
OPEB Changes in Assumptions	1,996	0
OPEB Contributions After Measurement Date	884	0
Total Deferred Outflows of Resources	$ 62,949	$ 0
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 4,835	$ 3,549
Accrued Payroll	10,570	0
Payroll Deductions Payable	1,663	0

(Continued)

Exhibit D-1

Jefferson County, Tennessee
Statement of Net Position
Proprietary Funds (Cont.)

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
LIABILITIES (Cont.)		
Current Liabilities (Cont.):		
Retainage Payable	$ 3,128	$ 0
Due to Other Funds	426,151	0
Due to State of Tennessee	271	0
Current Portion of Long-term Liabilities - Other	122,396	0
Total Current Liabilities	$ 569,014	$ 3,549
Noncurrent Liabilities:		
Due in More Than One Year - Other	$ 4,745,648	$ 0
Total Noncurrent Liabilities	$ 4,745,648	$ 0
Total Liabilities	$ 5,314,662	$ 3,549
DEFERRED INFLOWS OF RESOURCES		
Pension Changes in Experience	$ 18,844	$ 0
Pension Changes in Investment Earnings	5,276	0
OPEB Changes in Experience	3,597	0
OPEB Changes in Assumptions	1,347	0
Total Deferred Inflows of Resources	$ 29,064	$ 0
NET POSITION		
Net Investment in Capital Assets	$ 2,701,353	$ 0
Net Position - Restricted for Pensions	68,445	0
Unrestricted	(3,197,022)	15,496
Total Net Position	$ (427,224)	$ 15,496

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

Exhibit D-2

Jefferson County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
Operating Revenues		
Tipping Fees	$ 874,969	$ 0
Commercial and Industrial Waste Collection Charges	823,940	0
Sale of Recycled Materials	273,827	0
Miscellaneous Refunds	44,436	0
State of Tennessee	46,763	0
Self-Insurance Premiums/Contributions	0	161,711
Total Operating Revenues	$ 2,063,935	$ 161,711
Operating Expenses		
Cost of Sales and Services		
Supervisor/Director	$ 32,764	$ 0
Accountants/Bookkeepers	38,010	0
Part-time Personnel	15,002	0
Longevity Pay	6,650	0
Overtime	34,308	0
Laborers	319,544	0
Board and Committee Members Fees	4,120	0
Social Security	27,463	0
Pensions	45,257	0
Life Insurance	921	0
Medical Insurance	104,312	0
Dental Insurance	1,020	0
Unemployment Compensation	2,298	0
Employer Medicare	6,423	0
Engineering Services	38,372	0
Evaluation and Testing	24,872	0
Janitorial Services	770	0
Maintenance Agreements	742	0
Maintenance and Repair Services - Equipment	93,813	0
Postal Charges	70	0
Rentals	5,704	0
Travel	1,692	0
Contracts for Development Costs	19,058	0
Other Contracted Services	25,933	0
Crushed Stone	35,251	0
Diesel Fuel	160,986	0
Gasoline	19,522	0
Lubricants	20,814	0

(Continued)

Exhibit D-2

Jefferson County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds (Cont.)

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
Operating Expenses (Cont.)		
Cost of Sales and Services (Cont.)		
Office Supplies	$ 2,293	$ 0
Pipe	873	0
Small Tools	1,799	0
Uniforms	6,045	0
Utilities	10,992	0
Other Supplies and Materials	10,343	0
Building and Contents Insurance	1,940	0
Liability Insurance	2,267	0
Trustee's Commission	17,381	0
Vehicle and Equipment Insurance	6,510	0
Workers' Compensation Insurance	30,713	0
Depreciation	246,815	0
Surcharge	25,378	0
Landfill Closure/Postclosure Care Costs	65,243	0
Other Charges	8,214	0
Solid Waste Equipment	49,887	0
Handling Charges and Administrative Costs	0	16,601
Other Self-Insured Claims	0	165,360
Total Operating Expenses	$ 1,572,384	$ 181,961
Operating Income (Loss)	$ 491,551	$ (20,250)
Nonoperating Revenues (Expenses)		
Gain on Sale of Capital Assets	$ 14,288	$ 0
Investment Income	152	0
Interest on Internal Loan	(5,862)	0
Total Nonoperating Revenues (Expenses)	$ 8,578	$ 0
Change in Net Position	$ 500,129	$ (20,250)
Net Position, July 1, 2018	(927,353)	35,746
Net Position, June 30, 2019	$ (427,224)	$ 15,496

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

Exhibit D-3

Jefferson County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
Cash Flows from Operating Activities		
Receipts from Customers and Users	$ 1,777,977	$ 0
Receipts from Recycled Materials	273,827	0
Receipts from Other State Revenues	46,763	0
Receipts for Self-Insurance Premiums	0	161,711
Payments to Employees and Board Members	(453,055)	0
Payments for Fringe Benefits	(181,113)	0
Payments to Suppliers	(418,818)	0
Payments to Others	(208,903)	(38,773)
Payments for Claims	0	(167,204)
Payments for Administrative Costs	0	(16,601)
Net Cash Provided By (Used In) Operating Activities	$ 836,678	$ (60,867)
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	$ (330,075)	$ 0
Procceds from Sale of Capital Assets	146,216	0
Principal Paid on Internal Loan	(160,000)	0
Interest Paid on Internal Loan	(5,862)	0
Net Cash Provided By (Used In) Capital and Related Financing Activities	$ (349,721)	$ 0
Cash Flows from Investing Activities		
Contributions to Pension Stabilization Reserve Trust	$ (3,005)	$ 0
Net Cash Provided by (Used In) Investing Activities	$ (3,005)	$ 0
Increase (Decrease) in Cash	$ 486,957	$ (60,867)
Cash, July 1, 2018	1,422,125	79,912
Cash, June 30, 2019	$ 1,909,082	$ 19,045

(Continued)

Jefferson County, Tennessee
Statement of Cash Flows
Proprietary Funds (Cont.)

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities		
Operating Income (Loss)	$ 491,551	$ (20,250)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	246,815	0
Changes in Deferred Outflows for Pensions	18,040	0
Changes in Deferred Inflows for Pensions	(8,737)	0
Changes in Deferred Outflows for OPEB	(2,130)	0
Changes in Deferred Inflows for OPEB	3,198	0
Changes in Assets and Liabilities:		
(Increase) Decrease in Net Pension Asset/Liability	(2,151)	0
(Increase) Decrease in Accounts Receivable	38,250	0
(Increase) Decrease in Due from Other Governments	1,990	0
(Increase) Decrease in Due from Other Funds	(5,608)	0
Increase (Decrease) in Operating Accounts Payable	(8,586)	0
Increase (Decrease) in Due to Component Units	0	(38,773)
Increase (Decrease) in Claims Payable	0	(1,844)
Increase (Decrease) in Accrued Payroll	364	0
Increase (Decrease) in Payroll Deductions Payable	1,663	0
Increase (Decrease) in Retainage Payable	3,128	0
Increase (Decrease) in Due to State of Tennessee	(29)	0
Increase (Decrease) in Landfill Closure/Postclosure Care Cost	65,243	0
Increase (Decrease) in Compensated Absences	(3,021)	0
Increase (Decrease) in OPEB Liability	(3,302)	0
Net Cash Provided By (Used In) Operating Activities	$ 836,678	$ (60,867)
Reconciliation of Cash With Statement of Net Position		
Cash Per Net Position	$ 25	$ 0
Equity in Pooled Cash and Investments Per Net Position	1,906,052	19,045
Cash, June 30, 2019	$ 1,906,077	$ 19,045
Schedule of Noncash Investing Activities		
Gain on Investments of Pension Stabilization Reserve Trust	$ 152	$ 0

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

Exhibit E-1

Jefferson County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2019

	Agency Funds
ASSETS	
Cash	$ 2,030,458
Equity in Pooled Cash and Investments	9,555
Accounts Receivable	65,338
Due from Other Governments	977,401
Property Taxes Receivable	1,486,974
Allowance for Uncollectible Property Taxes	(72,654)
Total Assets	$ 4,497,072
LIABILITIES	
Due to Other Taxing Units	$ 2,401,276
Due to Litigants, Heirs, and Others	2,095,796
Total Liabilities	$ 4,497,072

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

JEFFERSON COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Continued

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Jefferson County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Jefferson County (the primary government) and its component units. The financial statements of the Jefferson County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of their omission did not affect the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Jefferson County Nursing Home provides nursing care to the citizens of Jefferson County, and the Jefferson County Commission appoints its governing body. Patient charges provide the majority of the revenues for the entity. Before the issuance of debt instruments, the entity must obtain the county commission's approval.

The Jefferson County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Jefferson County, and the Jefferson County Commission appoints its governing body. The district is funded primarily

through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the county commission's approval. The financial statements of the Jefferson County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Jefferson County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the school department are included in this report as listed in the table of contents. Complete financial statements of the Jefferson County Nursing Home and the Jefferson County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Jefferson County Nursing Home
914 Industrial Park Road
Dandridge, TN 37725

Jefferson County Emergency
Communications District
P.O. Box 705
Jefferson City, TN 37760

Related Organization – The Jefferson County Industrial Development Board is a related organization of Jefferson County. The county mayor nominates, and the Jefferson County Commission confirms the board members, but the county's accountability for the organization does not extend beyond making these appointments.

B. Government-wide and Fund Financial Statements

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

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

Jefferson County issues all debt for the discretely presented Jefferson County School Department. There were no debt issues contributed by the county to the school department during the year ended June 30, 2019.

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a

single column on the fund financial statements. The internal service fund and fiduciary funds in total are reported in single columns by fund type.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Jefferson County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Jefferson County reports the following major governmental funds:

> **General Fund** – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> **Other Special Revenue Fund** – This special revenue fund accounts for the county's share of revenues generated under the joint venture hospital lease.

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

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

Jefferson County reports the following major proprietary fund:

Solid Waste Disposal Fund – This fund accounts for the county's solid waste landfill operations.

Additionally, Jefferson County reports the following fund types:

Capital Projects Funds – These funds are used to account for financial resources to be used in the acquisition or construction of capital assets.

Internal Service Fund – The Employee Insurance - Dental and Vision Fund is used to account for the county's self-insured dental and vision programs. Premiums charged to the various county funds and employee payroll deductions are placed in this fund for the payment of claims of county employees.

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

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

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

Education Capital Projects Fund – This fund is used to account for financial resources to be used in the acquisition or construction of capital assets.

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

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

Internal Service Fund – The Employee Insurance - Dental and Vision Fund is used to account for the school department's self-insured dental and vision programs. Premiums charged to the various school department funds and employee payroll deductions are placed in this fund for the payment of claims of school department employees.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has two proprietary funds, an enterprise fund and an internal service fund. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the enterprise fund is tipping fees. Operating expenses of the enterprise fund include various expenses associated with the operation of the county's landfill. The principal operating revenues of the county's and the school department's internal service funds are charges for services. Operating expenses for the internal service funds include administrative expenses and employee benefits.

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

1. Deposits and Investments

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

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

federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Jefferson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Jefferson County and the school department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. The primary oversight responsibility for the investments and operations of the State Treasurer's Investment Pool rests with the Funding Board of the State of Tennessee (Funding Board). The Funding Board has established an investment policy that is administered by the state treasurer. These polices were designed to comply with generally accepted accounting principles. In addition, state statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. Compliance with Funding Board polices is audited by the Tennessee Comptroller of the Treasury, Division of State Audit. The latest audit opinion issued by the Division of State Audit concluded that the State Treasurer's Investment Pool complied with accounting principles generally accepted in the United State of America. All other investments are reported at fair value. Other than the pension stabilization trust discussed in Note IV.A., no investments required to be reported at fair value were held at the balance sheet date.

2. <u>Receivables and Payables</u>

Activity between funds for unremitted current collections at the end of the fiscal year is referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All ambulance, property taxes, and solid waste receivables are shown with an allowance for uncollectibles. The ambulance and solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.3 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is

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

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

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

Most payables are disaggregated on the face of the financial statements. The Claims and Judgments payable account totaling $61,524 is discussed in Note V.B. Risk Financing Activities. Retainage payable represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

3. <u>Prepaid Items</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. <u>Restricted Assets</u>

Restricted assets consist of amounts held in two separate pension stabilization trusts by the Tennessee Consolidated Retirement System (TCRS) for the benefit of Jefferson County's Public Employee Retirement Plan and the discretely presented Jefferson County School Department's Teacher Retirement Plan. The purpose of these trusts is

to accumulate funds to provide stabilization (smoothing) of retirement costs to the county and the school system in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an irrevocable agreement and may only be used for the benefit of Jefferson County and the Jefferson County School Department to fund retirement benefits upon approval of the TCRS Board of Directors. To date, Jefferson County and the Jefferson County School Department have not withdrawn any funds from the trusts to pay pension costs. Trust documents provide that the funds are not subject to the claims of general creditors of Jefferson County or the Jefferson School Department.

5. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and the business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise fund is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Landfill Facilities and Development	5 - 40
Buildings and Improvements	15 - 40
Machinery and Equipment	3 - 15
Other Capital Assets	5 - 25
Infrastructure	99

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources, (expense/expenditure) until then. The primary government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are the deferred charge on refunding, pension changes in experience, pension changes in assumptions, pension changes in proportion, pension contributions after the measurement date, OPEB changes in assumptions, OPEB changes in proportion, and OPEB contributions after the measurement date.

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

7. Compensated Absences

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Jefferson County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements for the county. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

It is the school department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability for vacation and sick pay is reported in the governmental funds only if amounts have matured, for example, as a

result of employee resignations and retirements. The school department offers teachers a financial incentive for accumulated sick leave. This incentive is available to all teachers who leave the school department in good standing with at least ten consecutive years of service. The incentive amount is $25 for each accumulated day of sick leave. During the 2018-19 year, 12 employees received this incentive. The financial statements of this report reflect expenditures of $37,462 in the General Purpose School Fund for the accumulated sick leave incentive payments.

8. Long-term Debt and Long-term Obligations

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

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

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

9. Net Position and Fund Balance

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

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

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

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

As of June 30, 2019, Jefferson County had $59,873,983 in outstanding debt for capital purposes for the discretely presented Jefferson County School Department and the discretely presented Jefferson County Nursing Home. This debt is a liability of Jefferson County, but the capital assets acquired are reported in the financial statements of the component units. Therefore, Jefferson County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes but are neither restricted nor committed (excluding stabilization arrangements). The county commission or the finance director makes assignments for the general government. The Board of Education makes assignments for the school department. Assigned fund balance in the primary government's General Fund consists of amounts assigned for encumbrances ($41,148), amounts appropriated for use in the 2019-20 budget ($340,337) and various assignments for smaller amounts totaling $31,691. Assigned fund balance in the school department's General Purpose School Fund consists primarily of amounts assigned for encumbrances ($40,904), student safety ($42,650) and textbooks ($125,000).

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

10. Minimum Fund Balance Policy

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

General Fund – 15 percent of the subsequent year's appropriations in unassigned fund balance.

General Debt Service Fund – 50 percent of the subsequent year's debt service requirement.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Jefferson County's participation in the Public Employee Legacy Retirement Plan and the Public Employee Hybrid Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Jefferson County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Legacy Retirement Plan and the Public Employee Hybrid 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 Legacy Retirement Plan and the Public Employee Hybrid Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Jefferson County School Department

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

F. Other Postemployment Benefit (OPEB) Plans

Primary Government

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

Discretely Presented Jefferson County School Department

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented Jefferson County School Department. For this purpose,

the school department recognizes benefit payments when due and payable in accordance with benefit terms. The school department's OPEB plan is not administered through a trust.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Jefferson County School Department

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

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

Primary Government

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

Discretely Presented Jefferson County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

Fund), which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

At June 30, 2019, Jefferson County and the discretely presented school department reported significant encumbrances in the following budgeted funds:

Funds	Amount
Primary Government:	
General	$ 41,148
Highway/Public Works	178,790
Nonmajor Governmental	435,744
School Department:	
General Purpose School	40,904

B. Net Position Deficit

The county's Solid Waste Disposal Fund had a deficit of $427,224 in total net position and a deficit of $3,197,022 in unrestricted net position at June 30, 2019. Further details related to liabilities recorded in this fund are disclosed in Note V.F. Landfill Closure/Postclosure Care Costs.

C. School Cafeteria Investigation

Christina Morris, the former cafeteria manager at Patriot Academy in Dandridge, Tennessee, was indicted by the Jefferson County Grand Jury on January 6, 2020, on one count of theft over $1,000 and one count of official misconduct. The indictments were the result of an investigation by the Tennessee Comptroller's Office, Division of Investigations. An investigative report was issued by the Comptroller of the Treasury, Division of Investigations on January 17, 2020. The report reflected two findings. The investigative report can be found at www.comptroller.tn.gov/ia.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2019, Jefferson County had the following investment carried at amortized cost using a Stable Net Asset Value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Jefferson County and the discretely presented Jefferson County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturities (days)	Amortized Cost
State Treasurer's Investment Pool	1 to 86	$ 2,256,606

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Jefferson County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Jefferson County has no investment policy that would further limit its investment choices. As of June 30, 2019, Jefferson County's investment in the State Treasurer's Investment Pool was unrated.

TCRS Stabilization Trust

Legal Provisions. Jefferson County's Public Employee Hybrid Retirement Pan and the discretely presented Jefferson County School Department's Teacher Hybrid Retirement Plan are members of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The County and the school department have placed funds into the irrevocable trusts as authorized by statute under *Tennessee Code Annotated* (*TCA*), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the county or the school department.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. Jefferson County and the Jefferson County School Department may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value or amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

• Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

• Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

• Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost, which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are

performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2019, Jefferson County's Public Employee Hybrid Retirement Plan had the following investments held by the trust on its behalf.

Primary Government:

Investment	Weighted Average Maturity (days)	Maturities		Fair Value
Investments at Fair Value:				
U.S. Equity	N/A	N/A	$	17,632
Developed Market International Equity	N/A	N/A		7,963
Emerging Market International Equity	N/A	N/A		2,275
U.S. Fixed Income	N/A	N/A		11,376
Real Estate	N/A	N/A		5,688
Short-term Securities	N/A	N/A		569
Investments at Amortized Cost using the NAV:				
Private Equity and Strategic Lending	N/A	N/A		11,376
Total			$	56,879

Investment by Fair Value Level	Fair Value 6-30-19	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost: NAV
U.S. Equity	$ 17,632	$ 17,632	$ 0	$ 0	$ 0
Developed Market International Equity	7,963	7,963	0	0	0
Emerging Market International Equity	2,275	2,275	0	0	0
U.S. Fixed Income	11,376	0	11,376	0	0
Real Estate	5,688	0	0	5,688	0
Short-term Securities	569	0	569	0	0
Private Equity and Strategic Lending	11,376	0	0	0	11,376
Total	$ 56,879	$ 27,870	$ 11,945	$ 5,688	$ 11,376

School Department:

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	$ 6,061
Developed Market International Equity	N/A	N/A	2,737
Emerging Market International Equity	N/A	N/A	782
U.S. Fixed Income	N/A	N/A	3,911
Real Estate	N/A	N/A	1,955
Short-term Securities	N/A	N/A	196
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	3,911
Total			$ 19,553

Investment by Fair Value Level	Fair Value 6-30-19	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost: NAV
U.S. Equity	$ 6,061	$ 6,061	$ 0	$ 0	$ 0
Developed Market International Equity	2,737	2,737	0	0	0
Emerging Market International Equity	782	782	0	0	0
U.S. Fixed Income	3,911	0	3,911	0	0
Real Estate	1,955	0	0	1,955	0
Short-term Securities	196	0	196	0	0
Private Equity and Strategic Lending	3,911	0	0	0	3,911
Total	$ 19,553	$ 9,580	$ 4,107	$ 1,955	$ 3,911

At June 30, 2019, the discretely presented Jefferson County School Department's Teacher Hybrid Retirement Plan had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	$ 32,033
Developed Market International Equity	N/A	N/A	14,466
Emerging Market International Equity	N/A	N/A	4,133
U.S. Fixed Income	N/A	N/A	20,667
Real Estate	N/A	N/A	10,333
Short-term Securities	N/A	N/A	1,033
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	20,667
Total			$ 103,332

Investment by Fair Value Level	Fair Value 6-30-19	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost: NAV
U.S. Equity	$ 32,033	$ 32,033	$ 0	$ 0	$ 0
Developed Market International Equity	14,466	14,466	0	0	0
Emerging Market International Equity	4,133	4,133	0	0	0
U.S. Fixed Income	20,667	0	20,667	0	0
Real Estate	10,333	0	0	10,333	0
Short-term Securities	1,033	0	1,033	0	0
Private Equity and Strategic Lending	20,667	0	0	0	20,667
Total	$ 103,332	$ 50,632	$ 21,700	$ 10,333	$ 20,667

Risks and Uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Jefferson County School Department does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Jefferson County School Department does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Jefferson County School Department places no limit on the amount the county may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will

not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the Jefferson County School Department to pay retirement benefits of the school department employees.

For further information concerning the school department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ag18092.pdf.

B. Capital Assets

Capital assets activity for the year ended June 30, 2019, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-18	Increases	Decreases	Balance 6-30-19
Capital Assets Not Depreciated:				
Land	$ 1,672,777	$ 0	$ 0	$ 1,672,777
Construction in Progress	671,021	369,245	(588,839)	451,427
Total Capital Assets Not Depreciated	$ 2,343,798	$ 369,245	$ (588,839)	$ 2,124,204
Capital Assets Depreciated:				
Buildings and Improvements	$ 23,340,665	$ 1,552,392	$ 0	$ 24,893,057
Machinery and Equipment	11,196,330	720,820	(309,047)	11,608,103
Infrastructure	117,116,242	1,072,875	0	118,189,117
Total Capital Assets Depreciated	$ 151,653,237	$ 3,346,087	$ (309,047)	$ 154,690,277
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 7,346,569	$ 766,536	$ 0	$ 8,113,105
Machinery and Equipment	7,715,754	1,000,183	(309,047)	8,406,890
Infrastructure	40,608,117	1,213,260	0	41,821,377
Total Accumulated Depreciation	$ 55,670,440	$ 2,979,979	$ (309,047)	$ 58,341,372
Total Capital Assets Depreciated, Net	$ 95,982,797	$ 366,108	$ 0	$ 96,348,905
Governmental Activities Capital Assets, Net	$ 98,326,595	$ 735,353	$ (588,839)	$ 98,473,109

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

Governmental Activities:

General Government	$ 109,928
Finance	26,305
Administration of Justice	417,764
Public Safety	380,073
Public Health and Welfare	691,991
Social, Cultural, and Recreational Services	5,527
Agriculture and Natural Resources	6,653
Highways/Public Works	1,341,738
Total Depreciation Expense - Governmental Activities	$ 2,979,979

Business-type Activities:

	Balance 7-1-18	Increases	Decreases	Balance 6-30-19
Capital Assets Not Depreciated:				
Land	$ 510,430	$ 0	$ 0	$ 510,430
Construction in Progress	332,026	101,069	(67,152)	365,943
Total Capital Assets Not Depreciated	$ 842,456	$ 101,069	$ (67,152)	$ 876,373
Capital Assets Depreciated:				
Landfill Facilities and Development	$ 142,024	$ 0	$ 0	$ 142,024
Buildings and Improvements	592,063	67,152	0	659,215
Machinery and Equipment	4,357,953	229,006	(159,915)	4,427,044
Total Capital Assets Depreciated	$ 5,092,040	$ 296,158	$ (159,915)	$ 5,228,283
Less Accumulated Depreciation For:				
Landfill Facilities and Development	$ 93,032	$ 3,411	$ 0	$ 96,443
Buildings and Improvements	524,536	8,099	0	532,635
Machinery and Equipment	2,566,908	235,305	(27,987)	2,774,226
Total Accumulated Depreciation	$ 3,184,476	$ 246,815	$ (27,987)	$ 3,403,304
Total Capital Assets Depreciated, Net	$ 1,907,564	$ 49,343	$ (131,928)	$ 1,824,979
Business-type Activities Capital Assets, Net	$ 2,750,020	$ 150,412	$ (199,080)	$ 2,701,352

Depreciation expense totaling $246,815 was charged to the Solid Waste Disposal Fund.

Discretely Presented Jefferson County School Department

Governmental Activities:

	Balance 7-1-18	Increases	Decreases	Balance 6-30-19
Capital Assets Not Depreciated:				
Land	$ 1,492,550	$ 0	$ 0	$ 1,492,550
Construction in Progress	3,378,906	441,231	(3,378,906)	441,231
Total Capital Assets Not Depreciated	$ 4,871,456	$ 441,231	$ (3,378,906)	$ 1,933,781
Capital Assets Depreciated:				
Buildings and Improvements	$ 93,994,016	$ 3,711,136	$ 0	$ 97,705,152
Machinery and Equipment	2,844,755	409,024	0	3,253,779
Other Capital Assets	6,453,730	329,561	(480,651)	6,302,640
Total Capital Assets Depreciated	$ 103,292,501	$ 4,449,721	$ (480,651)	$ 107,261,571
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 30,764,519	$ 2,681,340	$ 0	$ 33,445,859
Machinery and Equipment	2,177,013	200,901	0	2,377,914
Other Capital Assets	3,931,116	446,599	(462,755)	3,914,960
Total Accumulated Depreciation	$ 36,872,648	$ 3,328,840	$ (462,755)	$ 39,738,733
Total Capital Assets Depreciated, Net	$ 66,419,853	$ 1,120,881	$ (17,896)	$ 67,522,838
Governmental Activities Capital Assets, Net	$ 71,291,309	$ 1,562,112	$ (3,396,802)	$ 69,456,619

Depreciation expense was charged to functions of the discretely presented school department as follows:

Governmental Activities:

Instruction	$ 2,804,531
Support Services	446,599
Operation of Non-instructional Services	77,710
Total Depreciation Expense - Governmental Activities	$ 3,328,840

C. Construction Commitments

At June 30, 2019, the Solid Waste Disposal Enterprise Fund had an uncompleted contract of approximately $436,671 for the closure of a landfill cell. Funding for these future expenditures is expected to be received from tipping fees.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 1,889
"	"	245
General Debt Service	Solid Waste Disposal (enterpirse)	426,151
Nonmajor governmental	General	4,427
Solid Waste Disposal (enterprise)	Nonmajor governmental	68,703
Discretely Presented School Department:		
Nonmajor governmental	General Purpose School	2,858

The amount due to the General Debt Service Fund from the Solid Waste Disposal Fund represents the balance of an interfund loan totaling $710,200. Due to early payments having been made on the loan, none of the balance is due within one year.

Other balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Component Unit:		
School Department:	Primary Government:	
Nonmajor governmental	General	$ 5,098

The amount reflected as due to the discretely presented school department's nonmajor governmental fund from the primary government's General Fund represents revenues posted to the wrong fund by the trustee's office. The entire balance was repaid subsequent to the fiscal year end.

The government-wide Statement of Net Position also reports $6,145,000 as due from the discretely presented Jefferson County Nursing Home to the governmental activities of the primary government. This amount represents general obligation debt issued by the county, which is being retired by the nursing home. See Note VI.F. for further information about this debt.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2019, consisted of the following amounts:

Primary Government:

	Transfers In	
Transfers Out	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	$ 482,355	$ 329,390
Nonmajor governmental funds	30,000	70,000
Total	$ 512,355	$ 399,390

Transfers to the General Debt Service Fund represent interest rebates for the QSCB bond ($482,355) and litigation tax appropriated for payment of Justice Center debt ($30,000). Transfers from the General Fund to the nonmajor governmental funds ($329,390) and transfers between nonmajor governmental funds ($70,000) represent litigation tax appropriated for capital expenditures.

Discretely Presented Jefferson County School Department:

Transfers Out	Transfers In: General Purpose School Fund	Transfers In: Education Capital Projects Fund
General Purpose School Fund	$ 0	$ 2,400,000
Nonmajor governmental funds	75,212	0
Total	$ 75,212	$ 2,400,000

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

The General Purpose School Fund transferred $2,400,000 to the Education Capital Projects Fund for the Jefferson County High School Athletic Field renovations. The School Federal Projects Fund transferred $75,212 to the General Purpose School Fund for the payment of indirect costs.

E. Long-term Debt

Primary Government

General Obligation Bonds and Other Loans

Jefferson County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented school department. In addition, general obligation bonds have been issued to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority of the government. General obligation bonds outstanding were issued for original terms of up to 30 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2019, will be retired from the General Debt Service Fund.

Direct Borrowing and Direct Placements - Jefferson County issues other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented school department. In addition, other loans were issued to refund other debt. Other loans are direct obligations and pledge the full faith, credit, and taxing authority of the government. Other loans outstanding were issued for original terms of up to 18 years. Repayment terms are generally structured with increasing amounts

of principal maturing as interest requirements decrease over the term of the debt. All other loans included in long-term debt as of June 30, 2019, will be retired from the General Debt Service Fund.

General obligation bonds and other loans outstanding as of June 30, 2019, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-19
General Obligation Bonds	2.54 to 2.9 %		6-1-36	$ 26,685,000	$ 23,800,000
General Obligation Refunding Bonds	1 to 5		6-1-37	17,225,000	13,845,000
General Obligation - Recovery Zone Economic Development Bonds	3.69		6-1-40	16,000,000	16,000,000
Direct Borrowing and Direct Placement:					
Other Loans - Refunding	Variable		6-1-26	13,305,000	6,155,000
Other Loans - Qualified School Construction Bonds	0	(1)	8-1-27	10,595,000	5,416,296
Other Loans - Energy Efficient Schools Initiative	2.5		3-1-24	2,506,325	1,082,687

(1) Interest rate of approximately 4.85 percent is offset by a federal interest subsidy resulting in a net interest rate of zero percent.

In prior years, Jefferson County entered into loan agreements with the Blount County Public Building Authority. The following table summarizes those loan agreements outstanding as of June 30, 2019:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-19	Interest Type	Interest Rates as of 6-30-19	Other Fees on Variable Rate Debt
Blount County Public Building Authority					
Local Government Public Improvement Bond - Refunding (E-3-D)	13,305,000	$ 6,155,000	Variable	2.48%	.28%

The variable rate Blount County Public Building Authority loan is repayable at an interest rate that is a tax-exempt variable rate determined monthly by the remarketing agent. In addition, the county pays various other fees (trustee, debt remarketing, administrative, etc.) in connection with the variable rate loan. The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2019, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2020	$ 2,875,000	$ 2,207,592	$ 5,082,592
2021	2,985,000	2,087,742	5,072,742
2022	2,995,000	1,973,742	4,968,742
2023	3,105,000	1,856,542	4,961,542
2024	1,370,000	1,734,517	3,104,517
2025-2029	8,520,000	8,174,374	16,694,374
2030-2034	10,550,000	7,008,895	17,558,895
2035-2039	16,795,000	4,874,133	21,669,133
2040	4,450,000	294,813	4,744,813
Total	$ 53,645,000	$ 30,212,350	$ 83,857,350

Year Ending June 30	Other Loans - Direct Placement			
	Principal	Interest	Other Fees	Total
2020	$ 1,733,491	$ 696,094	$ 26,008	$ 2,455,593
2021	1,788,988	669,547	23,573	2,482,108
2022	1,844,628	641,628	20,995	2,507,251
2023	1,900,400	612,326	18,275	2,531,001
2024	1,895,739	581,655	15,412	2,492,806
2025-2028	3,490,737	1,634,391	32,264	5,157,392
Total	$ 12,653,983	$ 4,835,641	$ 136,527	$ 17,626,151

There is $9,684,747 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $1,044, based on the 2010 federal census. Total debt per capita, including bonds, other loans, and unamortized debt premiums, totaled $1,312 based on the 2010 federal census.

Changes in Long-term Debt

Long-term debt activity for the year ended June 30, 2019, was as follows:

Governmental Activities:

	Bonds	Other Loans - Direct Placement
Balance, July 1, 2018	$ 56,030,000	$ 14,697,110
Additions	0	0
Reductions	(2,385,000)	(2,043,127)
Balance, June 30, 2019	$ 53,645,000	$ 12,653,983
Balance Due Within One Year	$ 2,875,000	$ 1,733,491

Analysis of Noncurrent Liabilities for Debt Presented on Exhibit A:

Total Noncurrent Liabilities - Debt, June 30, 2019	$ 66,298,983
Less: Balance Due Within One Year - Debt	(4,608,491)
Add: Unamortized Premium on Debt	1,146,536
Noncurrent Liabilities - Due in More Than One Year -Debt - Exhibit A	$ 62,837,028

F. Long-term Obligations

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2019, was as follows:

	Other Postemployement Benefits	Compensated Absences
Balance, July 1, 2018	$ 746,314	$ 369,696
Additions	63,416	497,908
Reductions	(101,701)	(494,220)
Balance, June 30, 2019	$ 708,029	$ 373,384
Balance Due Within One Year	$ 0	$ 261,369

Analysis of Other Noncurrent Liabilities for Debt Presented on Exhibit A:

Total Noncurrent Liabilities - Other, June 30, 2019	$ 1,081,413
Less: Balance Due Within One Year - Other	(261,369)
Noncurrent Liabilities - Due in More Than One Year - Other - Exhibit A	$ 820,044

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

Solid Waste Disposal Fund (enterprise fund)

Changes in Long-term Obligations

Long-term obligations activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2019, was as follows:

Business-type Activities:

	Compensated Absences	Other Postemployment Absences	Closure/ Postclosure Care Costs
Balance, July 1, 2018	$ 15,994	$ 37,720	$ 4,755,410
Additions	13,856	1,642	165,234
Reductions	(16,877)	(4,944)	(99,991)
Balance, June 30, 2019	$ 12,973	$ 34,418	$ 4,820,653
Balance Due Within One Year	$ 3,218	$ 0	$ 119,178

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities - Other, June 30, 2019	$ 4,868,044
Less: Balance Due Within One Year - Other	(122,396)
Noncurrent Liabilities - Other - Due in More Than One Year - Exhibit A	$ 4,745,648

Discretely Presented Jefferson County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Jefferson County School Department for the year ended June 30, 2019, was as follows:

Governmental Activities:

	Compensated Absences	Termination Benefits
Balance, July 1, 2018	$ 669,747	$ 272,714
Additions	199,299	10,765
Reductions	(145,777)	(143,533)
Balance, June 30, 2019	$ 723,269	$ 139,946
Balance Due Within One Year	$ 153,730	$ 89,708

	Other Postemployement Benefits
Balance, July 1, 2018	$ 16,139,260
Additions	1,479,134
Reductions	(2,316,791)
Balance, June 30, 2019	$ 15,301,603
Balance Due Within One Year	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities - Other, June 30, 2019	$ 16,164,818
Less: Balance Due Within One Year - Other	(243,438)
Noncurrent Liabilities - Other - Due in More Than One Year - Exhibit A	$ 15,921,380

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

G. Pledges of Future Revenues

In August 2008, the citizens of Jefferson County voted to increase the local option sales tax from 2.25 to 2.75 percent. The county pledged all additional sales tax collections generated from the half-cent increase in the unincorporated areas of the county and half of the additional sales tax collections in the cities within the county to be used for the reduction and retirement of school indebtedness. Jefferson County had outstanding debt for school purposes of $53,728,983 at June 30, 2019. That debt carries the general obligation pledge of the government in addition to the specific pledge of the one-half cent sales tax revenue.

H. On-Behalf Payments – Discretely Presented Jefferson County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Jefferson County School Department. These payments are made by the state to the Local Education Group Insurance Plan. The plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan for the year ended June 30, 2019, were $291,227. The school department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Internal Financing

In-lieu-of issuing debt with financial institutions, Jefferson County chose to internally finance various projects with idle county funds. During the prior year, the county loaned $710,200 of idle funds under Capital Outlay Note, Series 2017 from the General Debt Service Fund to the Solid Waste Disposal Fund to purchase equipment. The balance of $426,151 due on the Capital Outlay Note, Series 2017 is reflected as Due from Other Funds in the General Debt Service Fund and as Due to Other Funds in the Solid Waste Disposal Fund.

Internally Reported Interfund Notes Receivable/Payable

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Due to General Debt Service Fund from Solid Waste Disposal Fund				
Capital Outlay Note - Series 2017 (Landfill)	$ 710,200	1.00 %	12-15-17	6-01-21

	Outstanding 7-1-18	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-19
Due to General Debt Service Fund from Solid Waste Disposal Fund				
Capital Outlay Note - Series 2017 (Landfill)	$ 586,151	$ 0	$ (160,000)	$ 426,151
Total	$ 586,151	$ 0	$ (160,000)	$ 426,151

V. OTHER INFORMATION

A. Risk Management

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

Jefferson County joined the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-

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

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

Jefferson County and the discretely presented School Department have chosen to establish Employee Insurance - Dental and Vision funds for risks associated with the employees' dental and vision plans. The Employee Insurance - Dental and Vision funds are accounted for as internal service funds where assets are set aside for claim settlements. The maximum liability is $1,200 per employee per year for dental coverage only and $1,500 per employee per year for dental and vision coverage. All full-time employees of Jefferson County and the school department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on estimates of the amounts needed to pay claims. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The Employee Insurance - Dental and Vision funds established claims liabilities based on estimates of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

Employee Insurance - Dental and Vision Funds

	Beginning of Fiscal Year Liability	Current-Year Claims and Estimates	Payments	Balance at Fiscal Year-end
Primary Government				
2017-2018	$ 4,455	$ 158,531	$ 157,593	$ 5,393
2018-2019	5,393	165,360	167,204	3,549
Discretely Presented School Department				
2017-2018	37,233	453,648	448,655	42,226
2018-2019	42,226	460,180	481,087	21,319

B. Risk Financing Activities

Jefferson County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for workers' compensation insurance for one or more policy years in 1996-97, 1997-98, and 1999-2000. LOGIC obtained excess coverage insurance from Reliance Insurance Company for claims that exceeded specific amounts. Reliance Insurance Company is now insolvent and is being liquidated in the State of Pennsylvania. The insolvency of Reliance Insurance Company has left the LOGIC members exposed to significant claim liabilities for their policy years. The LOGIC board of directors has assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. As of June 30, 2019, Jefferson County has an outstanding assessment of $61,524, which was due June 30, 2012. Jefferson County has recorded a liability for this amount in the General Fund. However, Jefferson County disputes the claim and has not yet paid the assessment.

C. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* became effective for the year ended June 30, 2019. In addition, Jefferson County early implemented the provisions of GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes accounting and reporting requirements for certain asset retirement obligations (AROs) associated with tangible capital assets. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, and expense/expenditures. In addition, this standard establishes note disclosure requirements for AROs.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* addresses note disclosure requirements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should report when disclosing information related to debt. These required disclosures include direct borrowings and direct placements, unused lines of credit, assets pledged as collateral for debt, terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period* amends paragraphs 5 through 22 of GASB Statement No. 62. This standard establishes that interest cost incurred before the end of a construction period should be recognized as an expense/expenditure. The changes adopted to conform with this standard are to be applied prospectively.

D. Contingent Liabilities

Jefferson County and the discretely presented Jefferson County School Department are involved in several pending lawsuits. Management, based on estimates from their attorneys, believes that the potential claims against the county and the school department not covered by insurance, resulting from such litigation, would not materially affect the financial statements of the primary government or the school department.

E. Changes in Administration

On July 1, 2018, Sherry Finchum left the Office of Director of Schools and was succeeded by Dr. Shane Johnston.

On August 31, 2018, Alan Palmieri left the Office of County Mayor and was succeeded by Mark Potts; Ginger Franklin left the Office of Trustee and was succeeded by Jennifer Hall; Bud McCoig left the Office of Sheriff and was succeeded by Jeff Coffey; and Penny Murphy left the Office of Circuit/General Sessions Courts Clerk and was succeeded by Kevin Poe.

F. Landfill Closure/Postclosure Care Costs

Jefferson County has active permits on file with the State Department of Environment and Conservation for two sanitary landfills and a demolition landfill. The county has provided financial assurances for estimated closure and postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require Jefferson County to place a final cover on its sanitary landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after

closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Solid Waste Disposal Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $4,820,653 reported as landfill closure and postclosure care liability at June 30, 2019, represents the cumulative amount reported to date based on the use of 51 percent of the estimated capacity of the operating Patterson Landfill site ($3,967,218) and postclosure care costs for the Highway 92 landfill site, which closed in 1993 ($853,435). The amounts reported as closure/postclosure liability at June 30, 2019, are based on what it would cost to perform all closure and postclosure care costs in 2019. The county will recognize the remaining estimated costs of closure and postclosure as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The county expects to close the Patterson Landfill site in the year 2032.

G. Joint Ventures

Primary Government

The county, along with Jefferson City, participated in the operation of Jefferson Memorial Hospital, a health facility. Effective April 1, 1997, the county and city entered into an agreement to lease the hospital, including all assets and all outstanding liabilities, to a nonprofit corporation, Jefferson Memorial Hospital, Inc. (JMH, Inc.), of which obligations are guaranteed by St. Mary's Health Systems, Inc. Effective October 1, 2011, this lease was assigned by St. Mary's Health Systems, Inc., to Jefferson County HMA, LLC, of which, obligations are guaranteed by Knoxville HMA Holdings, LLC. The county and the city created a seven-member oversight board comprising the hospital's chief of staff, three appointees from the county, and three from the city. The board is responsible for administration of the lease and the hospital in the event of lease termination. The county reflects its share of any net revenues from the lease in the Other Special Revenue Fund. Currently, the county receives $62,500 per month from the lease.

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fourth Judicial District: Sevier, Jefferson, Grainger, and Cocke counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Jefferson County made no contributions to the DTF for the year ended June 30, 2019 and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General
Fourth Judicial District
125 Court Avenue, Suite 301
Sevierville, TN 37862

Discretely Presented School Department

The discretely presented school department participates in the Northeast Tennessee Cooperative (NETCO). The cooperative was established through a contractual agreement between the Boards of Education of Jefferson County and various other counties and cities in the upper East Tennessee area. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated,* and was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to provide this service. NETCO is governed by a representative committee, including one representative from each of the member districts and an executive council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the representative committee.

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

Administrative Office:

Northeast Tennessee Cooperative
100 East Maple Street
P.O. Box 1517
Johnson City, TN 37605

H. Jointly Governed Organizations

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of *Tennessee Code Annotated,* and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a Board of Directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee, consisting of the chairman, vice-chairman, secretary, and treasurer of the Board of Directors, along with the center manager, as an ex officio member, is in charge of the daily operations of

the center. The county does not have any ongoing financial interest or responsibility beyond its initial investment.

In October 2012, amended and restated formation documents were filed with the Secretary of State's Office for the Jefferson Health Care Foundation (formerly the Jefferson Memorial Foundation, Inc.). Previously, St. Mary's Health System, which leased hospital operations from the county and Jefferson City, was the sole member of the foundation and provided oversight of certain funds held to benefit community health programs in the city and county. The hospital is jointly owned by the county and Jefferson City as discussed in Note V.G. With the change in the formation documents, the county and city became the sole members of the foundation. A board, with three members appointed by the county and three members appointed by the city, now oversees the foundation funds.

I. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Jefferson County and the discretely presented Jefferson County Nursing Home with membership in the TCRS prior to July 1, 2016, as well as non-certified employees of the discretely presented Jefferson County School Department with membership in TCRS prior to July 1, 2017, are provided a defined benefit pension plan through the Public Employee Legacy Pension Plan, an agent multiple-employer pension plan administered by the TCRS. The Public Employee Legacy Pension Plan is closed to new membership. The primary government employees comprise 52.05 percent, the non-certified employees of the discretely presented School Department comprise 30.64 percent, and employees of the discretely presented Jefferson County Nursing Home comprise 17.31 percent of the plan based on contribution data. Employees of Jefferson County and the discretely presented Jefferson County Nursing Home with membership in the TCRS after July 1, 2016, as well as non-certified employees of the discretely presented Jefferson County School Department with membership in TCRS after July 1, 2017, are provided with pensions through a legally separate plan, referred to as the Public Employee Hybrid Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 31.56 percent, the non-certified employees of the discretely presented school department comprise 8.17 percent, and employees of the discretely presented Jefferson County Nursing Home comprise 60.27 percent of the hybrid plan based on contribution data. The TCRS was created by state statute under *Tennessee Code*

Annotated (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Public Employee Legacy Pension Plan

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

Employees Covered by Benefit Terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	470
Inactive Employees Entitled to But Not Yet Receiving Benefits	509
Active Employees	629
Total	1,608

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are noncontributory. Jefferson County elected to make employer contributions at a rate higher than the minimum rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, the employer contribution for Jefferson County was $2,164,216 based on a rate of 11.00 percent of covered payroll. The minimum rate established by the Board of Trustees was 8.54 percent of covered payroll. By law, employer contributions are required to be paid. The

TCRS may intercept Jefferson County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Jefferson County's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2018, 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%
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, 2018, 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 historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major class are summarized in the following table:

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2017	$ 75,050,576	$ 78,409,029	$ (3,358,453)
Changes for the Year:			
Service Cost	$ 1,750,833	$ 0	$ 1,750,833
Interest	5,450,972	0	5,450,972
Differences Between Expected and Actual Experience	774,712	0	774,712
Changes in Assumptions	0	0	0
Contributions-Employer	0	2,601,406	(2,601,406)
Contributions-Employees	0	0	0
Net Investment Income	0	6,479,765	(6,479,765)
Benefit Payments, Including Refunds of Employee Contributions	(3,231,190)	(3,231,190)	0
Administrative Expense	0	(60,448)	60,448
Other Changes	0	0	0
Net Changes	$ 4,745,327	$ 5,789,533	$ (1,044,206)
Balance, June 30, 2018	$ 79,795,903	$ 84,198,562	$ (4,402,659)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	52.05%	$ 41,533,768	$ 43,825,352	$ (2,291,584)
School Department	30.64%	24,449,465	25,798,439	(1,348,975)
Nursing Home	17.31%	13,812,671	14,574,771	(762,100)
Total		$ 79,795,903	$ 84,198,562	$ (4,402,659)

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 6,109,627	$ (4,402,659)	$ (13,142,414)

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

Pension Expense. For the year ended June 30, 2019, Jefferson County recognized pension expense of $1,156,390.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, Jefferson County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 639,584	$ 1,308,734
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	363,410
Changes in Assumptions	1,164,790	0
Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	2,164,216	N/A
Total	$ 3,968,590	$ 1,672,144

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2018," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	$ 2,090,945	$ 870,351
School Department	1,184,828	512,345
Nursing Home	692,817	289,448
Total	$ 3,968,590	$ 1,672,144

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

Year Ending June 30	Amount
2020	$ 577,036
2021	(28,291)
2022	(496,095)
2023	79,577
2024	0
Thereafter	0

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, 2019, Jefferson County and the discretely presented school department reported a payable of $80,750 and $121,662, respectively, for the outstanding amount of contributions due to the pension plan at year end.

Public Employee Hybrid Retirement Plan

Plan Description. As previously noted, Employees of Jefferson County and the discretely presented Jefferson County Nursing Home with membership in the TCRS after July 1, 2016, as well as non-certified employees of the discretely presented Jefferson County School Department with membership in TCRS after July 1, 2017, are provided

with pensions through a legally separate plan, referred to as the Public Employee Hybrid Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 31.56 percent, the non-certified employees of the discretely presented school department comprise 8.17 percent, and employees of the discretely presented Jefferson County Nursing Home comprise 60.27 percent of the hybrid plan based on contribution data.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80 in which the member's age and service credits total 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	46
Active Employees	157
Total	203

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Jefferson County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation and statutory provisions. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of Jefferson County if the required employer contributions are not remitted. The actuarial determined rate of employer contributions for the year was 1.10 percent of covered payroll. Employer contributions for the year ended June 30, 2019, to the Retirement Plan were $68,856. In addition, employer contributions of $132,177 were made to the Pension Stabilization Reserve Trust Fund to fund future pension costs. The employer rate, when combined with member contributions and the stabilization reserve trust funds, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). Jefferson County's net pension liability (asset) was measured at June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2018, 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%
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, 2018, 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 historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2017	$ 39,240	$ 67,000	$ (27,760)
Changes for the Year:			
Service Cost	$ 139,363	$ 0	$ 139,363
Interest	12,830	0	12,830
Differences Between Expected and Actual Experience	76,487	0	76,487
Changes in Assumptions	0	0	0
Contributions-Employer	0	135,124	(135,124)
Contributions-Employees	0	168,905	(168,905)
Net Investment Income	0	17,532	(17,532)
Benefit Payments, Including Refunds of Employee Contributions	(3,275)	(3,275)	0
Administrative Expense	0	(12,304)	12,304
Other Changes	0	0	0
Net Changes	$ 225,405	$ 305,982	$ (80,577)
Balance, June 30, 2018	$ 264,645	$ 372,982	$ (108,337)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	31.56%	$ 83,522	$ 117,713	$ (34,191)
School Department	8.17%	21,621	30,473	(8,851)
Nursing Home	60.27%	159,502	224,796	(65,295)
Total		$ 264,645	$ 372,982	$ (108,337)

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ (31,896)	$ (108,337)	$ (163,597)

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

Pension Expense. For the year ended June 30, 2019, Jefferson County recognized (negative) pension expense of ($11,910).

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, Jefferson County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 67,988	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,502
Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	68,856	N/A
Total	$ 136,844	$ 2,502

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2018," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	$ 40,152	$ 790
School Department	12,690	204
Nursing Home	84,002	1,508
Total	$ 136,844	$ 2,502

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

Year Ending June 30	Amount
2020	$ 7,812
2021	7,812
2022	7,812
2023	8,055
2024	8,499
Thereafter	25,497

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, 2019, Jefferson County and the discretely presented school department reported a payable of $6,623 and $5,832, respectively, for the outstanding amount of contributions due to the pension plan at year end.

Discretely Presented Jefferson County School Department

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

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

COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2019, to the Teacher Retirement Plan were $92,398, which is 1.94 percent of covered payroll. In addition, employer contributions of $98,116, which is 2.06 percent of covered payroll were made to the Pension Stabilization Reserve Trust Fund to fund future pension costs. The employer rate, when combined with member contributions and the stabilization reserve trust funds, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2019, the school department reported a liability (asset) of ($198,123) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The school department's proportion of the net pension liability (asset) was based on the school department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, the school department's proportion was .436848 percent. The proportion as of June 30, 2017, was .377859 percent.

Pension Expense. For the year ended June 30, 2019, the school department recognized pension expense of $66,715.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the school department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 11,221	$ 7,891
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	11,191
Changes in Assumptions	9,347	0
Changes in Proportion of Net Pension Liability (Asset)	2,681	14,365
LEA's Contributions Subsequent to the Measurement Date of June 30, 2018	92,398	N/A
Total	$ 115,647	$ 33,447

The school department's employer contributions of $92,398, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	$ (2,396)
2021	(2,751)
2022	(4,346)
2023	(1,421)
2024	69
Thereafter	645

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

Actuarial Assumptions. The total pension liability in the June 30, 2018, 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%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2018, 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 historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 30,630	$ (198,123)	$ (366,659)

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

Payable to the Pension Plan

At June 30, 2019, the Jefferson County School Department reported a payable of $47,215 for the outstanding amount of contributions due to the pension plan at year end.

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

Benefits Provided. *TCA*, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members

are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Jefferson County School Department for the year ended June 30, 2019, to the Teacher Legacy Pension Plan were $2,454,981, which is 10.46 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liability (Assets). At June 30, 2019, the school department reported a liability (asset) of ($2,398,281) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an

actuarial valuation as of that date. The school department's proportion of the net pension liability (asset) was based on the school department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, the school department's proportion was .68154 percent. The proportion measured at June 30, 2017, was .687309 percent.

Pension Expense. For the year ended June 30, 2019, the school department recognized (negative) pension expense of ($625,244).

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the school department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 484,774	$ 3,235,471
Changes in Assumptions	1,416,437	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	521,966
Changes in Proportion of Net Pension Liability (Asset)	199,590	15,735
LEA's Contributions Subsequent to the Measurement Date of June 30, 2018	2,454,981	N/A
Total	$ 4,555,782	$ 3,773,172

The school department's employer contributions of $2,454,981 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	$ 555,667
2021	(704,621)
2022	(1,297,759)
2023	(225,659)
2024	0
Thereafter	0

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

Actuarial Assumptions. The total pension liability in the June 30, 2018, 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%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2018, 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 historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major class are summarized in the following table:

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

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

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

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the school department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the school department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one

percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 18,487,464	$ (2,398,281)	$ (19,678,326)

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

Payable to the Pension Plan

At June 30, 2019, the Jefferson County School Department reported a payable of $590,783 for the outstanding amount of contributions due to the pension plan at year end.

2. Deferred Compensation

Jefferson County offers its employees an optional deferred compensation plan established pursuant to IRC Section 457. The discretely presented Jefferson County School Department offers its employees an optional deferred compensation plan established pursuant to IRC Section 403(b). All costs of administering and funding these programs are the responsibility of plan participants. The Section 457 and Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 457 and 403(b) establish participation, contribution, and withdrawal provisions for the plans.

Teachers hired by the school department after July 1, 2014, employees of the primary government hired after July 1, 2016, and non-certified employees of the school department hired after July 1, 2017, are required to participate in hybrid pension plans consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion, which is placed into the state's 401(k) plan and is managed by the employee. The defined contribution portion of the plan requires that the employers contribute five percent of each eligible employee's salary into their deferred compensation plan. In addition, employees are required to contribute a minimum of two percent of their salaries into these deferred compensation plans, unless they opt out of the employee portion. During the year the primary government and its employees contributed $87,914 and $24,749,

respectively, and the school department and its employees contributed $40,676 and $38,879, respectively, to the 401(k) portion of the hybrid agent pension plan. The school department contributed $246,399 and teachers contributed $138,671 to the 401(k) portion of the hybrid cost-sharing plan.

J. Other Postemployment Benefits (OPEB)

Jefferson County primary government, the discretely presented Jefferson County Nursing Home, and the discretely presented Jefferson County School Department provide OPEB benefits to their retirees through state administered public entity risk pools. For reporting purposes the plans are considered single employer defined benefit OPEB plans based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plans are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Retirees of the primary government and the discretely presented Jefferson County Nursing Home are provided healthcare under the Local Government Plan (LGP) until they reach Medicare eligibility. Likewise, the school department provides healthcare benefits to its employees under the closed Local Education Plan (LEP) until they reach Medicare eligibility. The certified retirees of Jefferson County School Department may then join the Tennessee Plan – Medicare (TNM), which provides supplemental medical insurance for retirees with Medicare. However, the school department does not provide any subsidy (direct or indirect) to this plan and therefore does not recognize any OPEB liability associated with the TNM.

The total OPEB liability for each plan was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2108 TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.62%
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 6.75% for the 2019 calendar year, and gradually decreasing over 32 years to an ultimate trend rate of 3.53 percent with an amount added to approximate the effect of the excise tax (.28% for LGP and .32% for LEP)
Retirees Share of Benefit Related Cost	Discussed under each plan

The discount rate was 3.62 percent, based on the daily rate of Fidelity's 20-year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2018, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuations were the same as those employed in the July 1, 2018, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a -3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Changes in Assumptions. The discount rate changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of the measurement date of June 30, 2018. The assumed initial costs and premium amounts were revised to reflect rates adopted for the 2019 plan year. The assumed initial trend rate applicable to the 2019 plan year was revised from 5.4 percent to 6.75 percent.

Local Government OPEB Plan (Primary Government and Discretely Presented Jefferson County Nursing Home)

Plan Description. Employees of the primary government and the Jefferson County Nursing Home are provided with pre-65 retiree health insurance benefits through the Local Government Plan (LGP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGP.

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

	Primary Government
Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	443
Total	446

Employees of Jefferson County primary government comprise 68.17 percent of the plan and employees of the discretely presented Jefferson County Nursing Home comprise 31.83 percent of the plan. An insurance committee, created in accordance with *TCA* 8-27-701, establishes the required payments to the LGP

by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2019, the county paid $27,962 to the LGP for OPEB benefits as they came due.

Changes in the Total OPEB Liability

	Primary Government 68.1716%	Jefferson County Nursing Home 31.8284%	Total
Balance July 1, 2017	$ 784,034	$ 266,668	$ 1,050,702
Changes for the Year:			
Service Cost	$ 52,144	$ 24,346	$ 76,490
Interest	27,102	12,654	39,756
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	(87,280)	(40,750)	(128,030)
Changes in Assumption and Other Inputs	48,439	22,615	71,054
Change in Proportion	(67,754)	67,754	0
Benefit Payments	(14,238)	(6,648)	(20,886)
Net Changes	$ (41,587)	$ 79,971	$ 38,384
Balance June 30, 2018	$ 742,447	$ 346,639	$ 1,089,086

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the county recognized OPEB expense of $103,911. At June 30, 2019, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Primary Government:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 77,582
Changes of Assumptions/Inputs	43,056	29,063
Benefits Paid After the Measurement Date of June 30, 2018	19,063	0
Total	$ 62,119	$ 106,645

Jefferson County Nursing Home:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 36,222
Changes of Assumptions/Inputs	20,103	13,569
Benefits Paid After the Measurement Date of June 30, 2018	8,900	0
Total	$ 29,003	$ 49,791

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

Year Ending June 30	Primary Government	Jefferson County Nursing Home
2020	$ (8,409)	$ (3,926)
2021	(8,409)	(3,926)
2022	(8,409)	(3,926)
2023	(8,409)	(3,926)
2024	(8,409)	(3,926)
Thereafter	(21,543)	(10,059)

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the county calculated using the current discount rate as well as what the OPEB liability would be if it was

calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.62%	Current Discount Rates 3.62%	1% Increase 4.62%
Primary Government	$ 803,647	$ 742,447	$ 685,138
Jefferson County Nursing Home	375,239	346,639	319,905
Total OPEB Liability	$ 1,178,886	$ 1,089,086	$ 1,005,043

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

	1% Decrease 5.75 to 2.81%	Current Trend Rate 6.75 to 3.81%	1% Increase 7.75 to 4.81%
Primary Government	$ 653,748	$ 742,447	847,399
Jefferson County Nursing Home	305,248	346,639	395,669
Total OPEB Liability	$ 958,996	$ 1,089,086	$ 1,243,068

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

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

Benefits Provided. The Jefferson County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees.

An insurance committee created in accordance with *TCA* 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. Jefferson County School Department provides a direct subsidy for retirees with at least 10 consecutive years of service with Jefferson County and who also have either a minimum of 30 years of service in TCRS or are at least age 60. The subsidy ranges from $245 to $612 per month depending on years of service, classification, and the coverage selected. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

	School Department
Inactive Employees or Beneficiaries Currently Receiving Benefits	79
Inactive Employees Entitled to But Not Yet Receiving Benefits	3
Active Employees	697
Active Employees Not Eligible for Future Benefits	43
Total	822

A state insurance committee, created in accordance with *TCA* 8-27-301, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the school department paid $751,004 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	Share of Collective Liability		
	Jefferson County School Department 78.3359%	State of TN 21.6641%	Total OPEB Liability
Balance July 1, 2017	$ 16,139,260	$ 4,527,696	$ 20,666,956
Changes for the Year:			
Service Cost	$ 892,526	$ 246,831	$ 1,139,357
Interest	594,371	164,375	758,746
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	(1,925,024)	(532,373)	(2,457,397)
Changes in Assumption and Other Inputs	322,824	89,278	412,102
Change in Proportion	50,386	(50,386)	0
Benefit Payments	(772,739)	(213,704)	(986,443)
Net Changes	$ (837,657)	$ (295,978)	$ (1,133,635)
Balance June 30, 2018	$ 15,301,603	$ 4,231,718	$ 19,533,321

The Jefferson County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Jefferson County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The school department recognized $340,934 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for school department retirees.

During the year, the Jefferson County School Department's proportionate share of the collective OPEB liability was 78.3359 percent and the State of Tennessee's share was 21.6641 percent.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the school department recognized OPEB expense of $1,594,353, which includes expenses funded by subsidies provided by the state. At June 30, 2019, the school department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 0	$ 1,728,593
Changes of Assumptions/Inputs	289,883	588,198
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employer and Nonemployer Contributors As Benefits Came Due	39,322	0
Benefits Paid After the Measurement Date of June 30, 2018	751,004	0
Total	$ 1,080,209	$ 2,316,791

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

Year Ending June 30	School Department
2020	$ (233,477)
2021	(233,477)
2022	(233,477)
2023	(233,477)
2024	(233,477)
Thereafter	(820,199)

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

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

Discount Rate	1% Decrease 2.62%	Current Discount Rate 3.62%	1% Increase 4.62%
Proportionate Share of the Collective Total OPEB Liability	$ 16,386,249	$ 15,301,603	$ 14,271,804

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

Healthcare Cost Trend Rate	1% Decrease 5.75 to 2.85%	Curent Rates 6.75 to 3.85%	1% Increase 7.75 to 4.85%
Proportionate Share of the Collective Total OPEB Liability	$ 13,669,971	$ 15,301,603	$ 17,223,754

K. Termination Benefits

The school department offers an early retirement incentive program in accordance with contract provisions. The plan is available to employees who have earned 21 years of verified teaching experience and have a minimum of ten years employment in the Jefferson County School System. The plan gives teachers who meet the above requirements $10,000 divided into three equal payments. During the 2018-19 year, 40 employees participated in the program. The financial statements of this report reflect expenditures of $143,533 in the General Purpose School Fund for the retirement incentive payments. A nondiscounted long-term liability of $139,946 is reflected on the government-wide Statement of Net Position for retirement incentives. Of that amount, $89,708 is due within one year.

L. Office of Central Accounting, Budgeting, and Purchasing

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

M. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Jefferson County. All purchase orders are issued by the Finance Department. Purchases exceeding $25,000 for the Office of County Mayor and the Office of Road Superintendent are required to be competitively bid and purchases exceeding $10,000 for the discretely presented school department are required to be competitively bid.

N. Subsequent Events

On September 16, 2019, Jefferson County approved a resolution to issue General Obligation Bonds, not to exceed $11 million, for the construction of a nursing home facility in the city of White Pine. These bonds had not been issued as of the date of this report.

On October 21, 2019, Jefferson County approved a resolution to issue $850,000 Interfund Capital Outlay Notes for landfill facilities. These notes had not been issued as of the date of this report.

On November 11, 2019, Jefferson County issued $400,000 Interfund Capital Outlay Notes for EMS facilities construction and renovations.

On December 5, 2019, the Jefferson County Board of Education voted to increase the threshold requiring competitive bids for the discretely presented school department to $25,000.

VI. OTHER NOTES – DISCRETELY PRESENTED JEFFERSON COUNTY NURSING HOME

A. Summary of Significant Accounting Policies

Jefferson County Nursing Home is a political subdivision of Jefferson County, Tennessee. The nursing home provides long-term health care primarily for the citizens of the county. It is governed, operated, and controlled by a five-member board of commissioners who are appointed by the Board of County Commissioners of the county. The county is legally obligated to assume the nursing home's debt in the event of default and is legally obligated to provide financial support, making Jefferson County financially accountable for the

nursing home. Therefore, the nursing home is a discrete component unit of Jefferson County for financial reporting purposes.

1. Basis of Presentation

The nursing home utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. GASB 62 and 63 were effective for periods beginning after December 15, 2011. GASB 62 makes the *Accounting Standards Codification* the sole source of authoritative accounting technical literature for governmental entities in the United States of America.

2. Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

3. Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as cash on hand or in banks and investments with original maturities at the date of purchase of less than three months, excluding restricted assets.

The nursing home's policies limit deposits and investments to those instruments allowed by applicable state laws. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the nursing home's agent in the nursing home's name or by the federal reserve banks acting as third party agents. State statutes authorize the nursing home to invest in bonds, notes, or treasury bills of the United States government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities; and the State Treasurer's Investment Pool. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction.

All of the nursing home's cash and cash equivalents are insured or collateralized by the Tennessee Bank Collateral Pool or collateralized by securities held by the financial institutions' trust department in the nursing home's name.

4. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The nursing home has certificates of deposit totaling $200,000, and net pension asset of $827,395, as of June 30, 2019, which would be classified as Level 2 under the hierarchy above. The nursing home did not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2019. See note VI.G for additional specific fair value disclosures related to the Stabilization Reserve Trust.

Financial Assets

Excluding the amounts held in the stabilization reserve trust, the carrying amount of financial assets, consisting of cash and cash equivalents, certificates of deposit, patient accounts receivable, prepaid expenses, accounts payable, accrued expenses and current portion due to primary government approximate their fair value due to their relatively short maturities. Non-current due to primary government is carried at amortized cost, which approximates fair value.

Nonfinancial Assets

The nursing home's nonfinancial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the nursing home is required to evaluate the nonfinancial instrument for impairment, a resulting asset impairment would require that the nonfinancial asset be recorded at the fair value. During the year ended June 30, 2019, the nursing home did not measure any nonfinancial assets at fair value or recognize any amounts in the Statements of Activities related to changes in fair value for nonfinancial assets.

5. Property and Equipment

Property and equipment acquisitions are recorded at cost. The nursing home capitalizes purchases that cost a minimum of $5,000 and have a useful life greater than two years. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 10-12 years, buildings and improvements 10-40 years, equipment 4-20 years, and transportation equipment 5-7 years.

6. Patient Service Revenue

The nursing home has agreements with third-party payors that provide for payments to the nursing home at amounts different from its established rates. Payment arrangements include prospectively determined per-diem rates per day and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments of approximately $587,000 for the year ended June 30, 2019.

7. Operating Activities

The nursing home defines operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Position as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Nonexchange transactions, including investment income and interest expense, are considered nonoperating revenue and expenses.

8. Pension Plan

For purposes of measuring the stabilization reserve trust, net pension asset, deferred outflows of resources and deferred inflows of resources related to the pension, and pension expense, information about the fiduciary net position of the nursing home's participation in the Stabilization Reserve Trust, the Public Employee Retirement Plan and the Public Employee Pension Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the nursing home's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Stabilization Reserve Trust, the Public Employee Retirement Plan and the Public Employee Pension Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Stabilization Reserve Trust,

the Public Employee Retirement Plan and the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value. See Note VI.G. for further information related to the stabilization reserve trust.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The nursing home has items that qualify for reporting in this category. They are for pension changes in experience and pension contributions after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The nursing home has items that qualify for reporting in this category. They are for pension changes in experience and changes in investment earnings.

10. Compensated Absences

The nursing home provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The vacation paid days off begin accruing after one year of service and are based on the table which follows. Such days may be taken only after the employee has earned them. Prior to January 1, 2018, there was no limit on the amount of earned days, which may be carried forward if not taken in the year earned; however, effective January 1, 2018, all earned days must be taken annually, except that an employee may carry forward up to the number of days earned annually, based on years of service. Such liabilities have been accrued in the accompanying Statements of Net Position.

Years of Service	Days Earned Per Year
1 - 9	10
10 - 19	15
20 or more	20

11. Risk Management

The nursing home is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters.

12. Net Position

All resources that are not restricted by donors are included in unrestricted net position. Resources temporarily restricted by donors for specific purposes are reported as a restricted component of net position - expendable. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net position and reported in the Statement of Revenues, Expenses, and Changes in Net Position. Resources temporarily restricted by donors for additions to land, buildings, and equipment are initially reported as a restricted component of net position - expendable and are transferred to unrestricted net position when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as a restricted component of net position – unexpendable. Investment income for the restricted component of net position - unexpendable is classified as either a restricted component of net position – expendable or unrestricted based on the intent of the donor. As of June 30, 2019, the nursing home had restricted component of net position – expendable of $827,395, relating to the net pension asset, as well as restricted component of net position – expendable designated for employee scholarships as discussed in VI.B. As of June 30, 2019, there were no restricted components of net position - unexpendable.

The nursing home first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

13. Income Taxes

The nursing home as a political subdivision of the county is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

14. Long-lived Assets

Management evaluates the recoverability of its investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in

management's estimate of the recoverability of these assets.

15. Use of Estimates

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

16. Performance Indicator

Excess of revenue over expenses reflected in the accompanying Statement of Revenues, Expenses, and Changes in Net Position is a performance indicator.

17. Adoption of New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 85, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses accounting and financial reporting issues related to the blending of a component unit, goodwill, fair value measurement and application, and postemployment benefits. This accounting standard is effective for financial statements for fiscal years beginning after June 15, 2017. Therefore, the nursing home adopted this standard at the beginning of fiscal year 2018.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective clauses. This accounting standard is effective for financial statements for fiscal years beginning after June 15, 2018. Therefore, the nursing home adopted this standard at the beginning of fiscal year 2019.

The adoption of these accounting standards did not have a material impact on the nursing home's financial statements.

B. Restricted Assets

Cash in the employee scholarship fund is available to provide scholarships to qualifying employees. Certain donations received are designated to be used for higher education of employees. Deposits to the fund come from private donations and monthly interest earned. The only withdrawals made are to award scholarships to qualifying employees. Scholarships awarded are subject to board approval. One employee received a $500 scholarship during the year ended June 30, 2019.

Investments held in the stabilization reserve trust will be utilized for employees benefits to be paid in the future. The stabilization reserve trust is a separate legal trust outside the nursing home's control which is more fully described in Note VI.G.

C. Third-party Reimbursement Programs

The nursing home receives revenue under various third-party reimbursement programs, which include Medicare, Medicaid, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the nursing home's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. There were no adjustments to revenue resulting from tentative or final settlements to estimated reimbursement amounts for the year ended June 30, 2019.

1. Medicare

The nursing home is paid for substantially all services rendered to Medicare program beneficiaries for skilled nursing care under prospectively determined case-mix rates. Those rates vary according to a classification system that is based on a medical assessment of the rehabilitation needed, extent of services needed, and other factors. The patient is often responsible for a portion of the fee. For the patient portion of fees not collected after normal collection efforts with the filing of an annual cost report, the nursing home was reimbursed 65 percent for such uncollected fees.

2. Medicaid/TennCare

Effective July 1, 2018, the Medicaid/TennCare program reimbursed the nursing home at a single prospective rate (per diem) for both skilled nursing and routine nursing care services rendered to Medicaid/TennCare beneficiaries. The single prospective rate considers the facility specific direct costs, fair rental value of the physical assets, quality and case mix.

3. Commercial Payors

The nursing home has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the nursing home under these agreements includes prospectively determined rates per day and discounts from established rates.

4. Credit Concentrations

The nursing home grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies. At June 30, 2019, the nursing home had net receivables from the federal government (Medicare) of approximately $253,000 and from Medicaid of approximately $540,000. Medicare comprised 20 percent and Medicaid comprised 53 percent of net patient service revenue for the year ended June 30, 2019.

D. Inventories

A summary of inventories as of June 30, 2019, was as follows:

Food	$ 14,025
Medical Supplies	8,810
Housekeeping Supplies	3,075
Maintenance Supplies	2,509
Total	$ 28,419

E. Property and Equipment

The net investment in capital assets as of June 30, 2019, is as follows:

Property and Equipment, Net	$ 6,696,141
Current Portion of Long-term Debt	(265,000)
Long-term Debt, Excluding Current Portion	(5,880,000)
Total	$ 551,141

The major classifications and changes in property and equipment as of and for the year ended June 30, 2019, are as follows:

	Balance 7-1-18	Increases	Decreases	Balance 6-30-19
Land	$ 7,181	$ 0	$ 0	$ 7,181
Land Improvements	257,453	6,537	0	263,990
Building and Improvements	9,898,780	144,292	0	10,043,072
Machinery and Equipment	1,987,081	28,402	0	2,015,483
Transportation Equipment	100,166	0	0	100,166
Construction in Progress	0	15,910	0	15,910
Total	$ 12,250,661	$ 195,141	$ 0	$ 12,445,802
Less Allowance for Depreciation and Amortization:				
Land Improvements	$ (140,987)	$ (16,299)	$ 0	$ (157,286)
Buildings and Improvements	(3,712,465)	(232,980)	0	(3,945,445)
Machinery and Equipment	(1,434,164)	(112,600)	0	(1,546,764)
Transportation Equipment	(100,166)	0	0	(100,166)
Total	$ (5,387,782)	$ (361,879)	$ 0	$ (5,749,661)
Total	$ 6,862,879	$ (166,738)	$ 0	$ 6,696,141

F. Due to Primary Government

A schedule of changes in the nursing home's long-term debt to the government of Jefferson County, Tennessee, related to bond issues as of and for the year ended June 30, 2019, is as follows:

	Balance 7-1-18	Additions	Reductions	Balance 6-30-19	Amounts Due Within One Year
General Obligation Refunding Bonds - 2014	$ 2,420,000	$ 0	$ (245,000)	$ 2,175,000	$ 250,000
General Obligation Refunding Bonds - 2016	3,985,000	0	(15,000)	3,970,000	15,000
Total	$ 6,405,000	$ 0	$ (260,000)	$ 6,145,000	$ 265,000

Jefferson County, Tennessee, issued $4,285,000 General Obligation Refunding Bonds, Series 2014, dated May 15, 2014, to be used to call certain bond issuances outstanding by the county. The bonds are direct general obligations of Jefferson County, Tennessee, payable from ad valorem taxes levied upon all taxable property within Jefferson County without limitation as to rate or amount. The full faith and credit of Jefferson County, Tennessee, is irrevocably pledged to pay principal, redemption premiums, if any, and interest on the bonds. However, because the debt was incurred specifically for the addition to the nursing home, the bond transactions are reported on the nursing home's financial statements as obligations to the county. $2,540,000 of the Series 2014

proceeds was assigned to be used to call a portion of a certain previous bond issuance obligation on June 1, 2016. The nursing home recorded an initial liability to the county of $2,760,000 related to the Series 2014 bond issue comprised of the initial $2,540,000 and $220,000 of prefunded interest payments. The remaining $1,525,000 of proceeds from Series 2014 relate to county uses other than the nursing home and are not an obligation of the nursing home.

The Series 2014 coupon rates range from two percent to 2.75 percent with interest payable in semi-annual payments on June 1 and December 1 and annual principal installments ranging from $30,000 to $295,000 each June 1. The final principal installment is due June 1, 2027.

Jefferson County, Tennessee, issued $4,215,000 in General Obligation Refunding Bonds, Series 2016 dated May 13, 2016, to be used to call certain bond issuances outstanding by the county. The Series 2016 is also a direct general obligation of the county with a similar pledge as the 2014 Series. The proceeds were used to call the remainder of the Series 2007 obligation on June 1, 2016.

The Series 2016 coupon rates range from 2.0 percent to 2.75 percent with interest payable in semi-annual payments on June 1 and December 1 and annual principal installments ranging from $15,000 to $430,000 each June 1. The final principal installment is due June 1, 2037.

A summary of future maturities and interest of long-term debt due to the county related to Series 2014 and Series 2016 bond obligations as of June 30, 2019, is as follows:

Fiscal Year Ending June 30	Series 2016 Principal	Series 2014 Principal	Estimated Interest	Total Payments
2020	$ 15,000	$ 250,000	$ 150,000	$ 415,000
2021	15,000	255,000	144,000	414,000
2022	20,000	260,000	139,000	419,000
2023	20,000	270,000	133,000	423,000
2024	20,000	275,000	127,000	422,000
2025-2029	750,000	865,000	519,000	2,134,000
2030-2034	1,875,000	0	318,000	2,193,000
2035-2037	1,255,000	0	70,000	1,325,000
Total	$ 3,970,000	$ 2,175,000	$ 1,600,000	$ 7,745,000

G. Pension Plan

1. Public Employee Retirement Plan

General information about the pension plan

Plan Description. Employees of the nursing home, as a component unit of Jefferson County, with membership in the TCRS after July 1, 2016, are provided with a pension through a legally separate plan, referred to as the Public Employee Retirement Plan (the "Hybrid Plan"), an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated ("TCA") Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at: https://www.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 statue. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Hybrid Plan's 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 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members of the Hybrid Plan vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

plus any accumulated interest. Moreover, there are defined cost controls and unfunded liability controls for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out by law. Employees in the Hybrid Plan contribute five percent of their salary. In addition, the component units of Jefferson County make employer contributions at the contribution rate set by the Board of Trustees as determined by actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached. For the year ended June 30, 2019, employer contributions by the nursing home for the Hybrid Plan were $43,026 based on a rate of 1.94 percent of covered payroll. An additional 2.06 percent of covered payroll is submitted to the stabilization reserve trust discussed later in this note. By law, employer contributions are required to be paid. The TCRS may intercept Jefferson County's state shared taxes if required employer contributions are not remitted. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

In addition, the nursing home is required to contribute 5 percent of covered payroll to the defined contribution portion of the Hybrid Plan to an individual employee account held by TCRS. Benefit terms, including contribution requirements are established and may be amended by TCRS. Employees are enrolled upon eligibility to make a 2 percent contribution to the defined contribution portion of the Hybrid Plan. Employees are permitted to make changes to the defined contribution portion of the Hybrid Plan by filing a form with TCRS and are permitted to make contributions up to applicable Internal Revenue Code limits. For the year ended June 30, 2019, employee contributions totaled approximately $97,000. Employees are immediately vested in their own contributions and earnings on those contributions.

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources to pensions

Pension liabilities. As of June 30, 2019, the Hybrid Plan reported a net pension asset of $65,295 for its proportionate share of the net pension asset. The net pension assets were measured as of June 30, 2018, and the total pension liability used to calculate the net pension assets was determined by an actuarial valuation as of the measurement dates. As of June 30, 2019, the nursing home's proportion of the net pension asset

in the Hybrid Plan was based on the nursing home's active participants as of June 30, 2018, relative to the active participants of all component units of Jefferson County as of June 30, 2018. At the June 30, 2018, measurement date, the nursing home's proportion in the Hybrid Plan was 60.27 percent.

Pension expense. The total hybrid plan pension asset as of the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	Graded Salary Ranges from 8.72 to 3.44 Percent Based on Age, Including Inflation, Averaging 4.00 Percent
Investment Rate of Return	7.25 Percent, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25 Percent

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

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Change in assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent. Graded salary ranges used in the 2017 measurement was 8.75 to 3.45 percent based on age.

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 rate of return by the target asset allocation percentage and by adding inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target for each major asset class are summarized in the following table:

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

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

Discount rate

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Nursing Home's Proportionate Share of the Net Position Liability (Asset)	$ (19,224)	$ (65,295)	$ (98,600)

Pension plan fiduciary net position

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

Pension expense

For the year ended June 30, 2019, the nursing home recognized pension expense of $10,768 related to the Hybrid Plan.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2019, the nursing home reported deferred outflows of resources related to the hybrid plan pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 40,976	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,508
Nursing Home's Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	43,026	0
Total	$ 84,002	$ 1,508

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2018," will be recognized as an increase to net pension asset in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the hybrid plan will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	$ 4,708
2021	4,708
2022	4,708
2023	4,855
2024	5,122
Thereafter	15,367

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

Payable to the Hybrid Plan

The nursing home reported a payable of $6,789 for the outstanding amount of contributions to the hybrid plan required at the year ended June 30, 2019.

2. Public Employee Legacy Pension Plan

General information about the pension plan

Employees of the nursing home with membership in the TCRS before July 1, 2016, were provided a defined benefit pension plan ("Legacy Plan"), an agent multiple-employer pension plan administered by the TCRS. The Legacy Plan closed to new membership on June 30, 2016, but will continue to provide benefits to existing members and retirees. The TCRS was created by state statute under TCA Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits provided. Tennessee Code Annotated (TCA) 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 statue. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available 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 ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees covered under the Legacy Plan do not make contributions to their account; instead the component units of Jefferson County make employer contributions at the contribution rate set by the Board of Trustees as determined by actuarial valuation. For the year ended June 30, 2019, employer contributions for the nursing home related to the Legacy Plan were $380,480 based on a rate of 11.00 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Jefferson County'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.

Net Pension Asset

At June 30, 2019, the nursing home reported an asset of $762,100 for its proportionate share of the net pension asset. The net pension assets were measured as of June 30, 2018, and the total pension liability used

to calculate the net pension assets was determined by an actuarial valuation as of the measurement date. As of June 30, 2019, the nursing home's proportion of the net pension asset in the Legacy Plan was based on the nursing home's active participants as of June 30, 2018, relative to the active participants of all component units of Jefferson County as of June 30, 2018, relative to the active participants of all component units of Jefferson County as of June 30, 2017. At the June 30, 2018, measurement date, the nursing home's proportion in the legacy plan was 17.31 percent.

Actuarial Assumptions

The total legacy plan pension asset as of the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	Graded Salary Ranges from 8.72 to 3.44 Percent Based on Age, Including Inflation, Averaging 4.00 Percent
Investment Rate of Return	7.25 Percent, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25 Percent

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

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period of July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

<u>Change in assumptions</u>

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent. Graded salary ranges used in the 2017 measurement was 8.75 to 3.45 percent based on age.

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 rate of return by the target asset allocation percentage and by adding inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target for each major asset class are summarized in the following table:

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

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

Discount Rate. The discount rate that was used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all component units of Jefferson County will be made at the actuarially determined contribution rate pursuant to the actuarial valuation accordance with the pension 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 and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Nursing Home's Proportionate Share of the Net Position Liability (Asset)	$ 1,057,576	$ (762,100)	$ (2,274,952)

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

Pension Expense. For the year ended June 30, 2019, the nursing home recognized pension expense of $354,873.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the nursing home reported deferred outflows of resources and deferred inflows of resources related to the Legacy Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 110,712	$ 226,542
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	62,906
Changes in assumptions	201,625	0
Nursing Home's Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	380,480	0
Total	$ 692,817	$ 289,448

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2018," will be recognized as an increase to net pension asset in the following measurement period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the legacy plan will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	$ 99,885
2021	(4,897)
2022	(85,874)
2023	13,775
2024	0
Thereafter	0

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

Payable to the Legacy Plan

The nursing home reported a payable of $52,320 for the outstanding amount of contributions to the legacy plan required at the year ended June 30, 2019.

TCRS Stabilization Trust

Legal Provisions. As of June 30, 2019, the nursing home is a member of the TCRS Stabilization Trust. The nursing home has placed funds into the irrevocable trust as authorized by statute under TCA, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the nursing home.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The nursing home may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments in the Stabilization Reserve Trust are reported at fair value or amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

• Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

• Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive

dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

• Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost, which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2019, the nursing home had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	$ 19,348
Developed Market International Equity	N/A	N/A	8,738
Emerging Market International Equity	N/A	N/A	2,497
U.S. Fixed Income	N/A	N/A	12,483
Real Estate	N/A	N/A	6,241
Short-term Securities	N/A	N/A	624
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	12,483
Total			$ 62,414

	Fair Value Measurements Using			Amortized Cost
Investment by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)*	NAV
U.S. Equity	$ 19,348	$ 0	$ 0	$ 0
Developed Market International Equity	8,738	0	0	0
Emerging Market International Equity	2,497	0	0	0
U.S. Fixed Income	0	12,483	0	0
Real Estate	0	0	6,241	0
Short-term Securities	0	624	0	0
Private Equity and Strategic Lending	0	0	0	12,483
Total	$ 30,583	$ 13,107	$ 6,241	$ 12,483

* Due to the small amount of the Level 3 investments held in the Stabilization Reserve Trust and the fact that the nursing home may not impose restrictions or influence on the types of investment held in the SRT and the fact the SRT financial statements are publicly available, the nursing home has not presented a rollforward of Level 3 investments in these financial statements.

Risks and Uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The nursing home does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The nursing home does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. The nursing home places no limit on the amount the county may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the nursing home to pay retirement benefits of employees.

For further information concerning the nursing home's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ag18092.pdf.

H. Commitments and Contingencies

The nursing home leases various equipment under short-term operating lease agreements. Rent expense totaled $5,032 in 2019.

Health Care Industry

The delivery of personal and health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The nursing home maintains commercial insurance on an occurrence basis for medical malpractice liabilities. Insurance coverages are $1,000,000 individually and $3,000,000 in the aggregate annually. The State of Tennessee maintains litigation settlement limitations for governmental entities, which are less than the nursing home's insurance coverages. Management intends to maintain insurance coverages in the future. The nursing home could be involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any future potential losses on asserted claims. Management is unaware of any incidents which would ultimately result in a loss in excess of the nursing home's insurance coverages. The nursing home also maintains insurance for general liability, director and officer liability and property.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid/TennCare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes the nursing home is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and other government statues and regulations. The nursing home's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions, which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) have implemented a Recovery Audit Contractors (RAC) program. The purpose of the program is to reduce improper Medicare and Medicaid/TennCare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits, and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare and Medicaid/TennCare billings are proper and adequate support is maintained, certain aspects of Medicare and Medicaid/TennCare billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to the RAC audit at this time.

Health Care Reform

The health care industry in the United States is subject to fundamental changes due to ongoing health care reform efforts and related political, economic and regulatory influences. Notably, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") resulted in expanded health care coverage to millions of previously uninsured people beginning in 2014 and has resulted in significant changes to the U.S. healthcare care system. To help fund this expansion, the Affordable Care Act outlines certain reduction in Medicare reimbursements for various health care providers as well as certain other changes to Medicare payment methodologies. This comprehensive health care legislation has resulted and will continue to result in extensive rulemaking by regulatory authorities, and also may be altered, amended, repealed, or replaced.

It is difficult to predict the full impact of the Affordable Care Act due to the complexity of the law and implementing regulations, as well as the nursing home's inability to foresee how CMS and other participants in the health care industry will respond to the choices available to them under the law. The nursing home also cannot accurately predict whether any new or pending legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on the nursing home's business. Similarly, while the nursing home can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect the nursing home's business and the manner in which the nursing home is reimbursed by the federal health care programs, the nursing home cannot accurately predict today the impact of those regulations on the nursing home's business. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act or any amended or replacement legislation may increase costs, decrease revenues, expose the nursing home to expanded liability or require the nursing home to revise the ways in which it conducts business.

I. Functional Expenses

The following is a summary of management's functional classification of operating expenses:

	2019
Healthcare Services	$ 10,705,722
General and Administrative	2,224,732
Total	$ 12,930,454

J. Subsequent Event

During July 2019, the nursing home purchased land in White Pine, Tennessee, at a cost of approximately $289,000 as a result of the Board of Directors expressed desire to expand services into that community. The nursing home received approval of a certificate of need for the construction of a thirty bed facility by the Health Services Development Agency on December 11, 2019, and has secured support from the Jefferson County Commission to move forward with the project if the certificate of need is approved.

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