NEW ISSUE

Ratings: S&P – "AA" (stable outlook) (AGM)
"A+" (Underlying)
(See "MISCELLANEOUS-Rating" herein)

BOOK-ENTRY-ONLY

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

# $21,775,000
# CAMPBELL COUNTY, TENNESSEE
## General Obligation Bonds, Series 2020

Dated: June 5, 2020

Due: June 1, as shown below.

The $21,775,000 General Obligation Bonds, Series 2020 (the "Bonds") 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-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

ASSURED GUARANTY MUNICIPAL

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

| Maturity (June 1) | Amount | Interest Rate | Yield | CUSIPS ** | Maturity (June 1) | Amount | Interest Rate | Yield | CUSIPS ** |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | $ 640,000 | 5.00 % | 0.80 % | 134303TN6 | 2027 | $ 3,470,000 | 5.00 % | 1.30 % | 134303TU0 |
| 2022 | 725,000 | 5.00 | 0.90 | 134303TP1 | 2028 | 3,185,000 | 5.00 | 1.40 | 134303TV8 |
| 2023 | 770,000 | 5.00 | 1.00 | 134303TQ9 | 2029 | 3,180,000 | 3.00 | 1.55 c | 134303TW6 |
| 2024 | 765,000 | 5.00 | 1.05 | 134303TR7 | 2030 | 3,225,000 | 3.00 | 1.75 c | 134303TX4 |
| 2025 | 795,000 | 5.00 | 1.15 | 134303TS5 | 2031 | 2,985,000 | 2.00 | 2.00 | 134303TY2 |
| 2026 | 2,035,000 | 5.00 | 1.25 | 134303TT3 | | | | | |

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 Joseph G. Coker, Esq., 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 12, 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 Preliminary 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 Preliminary Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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

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

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this Preliminary 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.

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

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McCraw-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.

# CAMPBELL COUNTY, TENNESSEE

## OFFICIALS

| | |
|---|---|
| E.L. Morton | *County Mayor* |
| Jeffrey D. Marlow | *Finance Director* |
| Alene Baird | *County Clerk* |
| Joseph G. Coker | *County Attorney* |

## COUNTY COMMISSIONERS

Charles Baird
Dewayne Baird
Johnny Bruce
Ralph Davis
Carl Douglas
Whit Goins
Robert Higginbotham
Scott Kitts
Tyler King
Cliff Kohlmeyer
Lisa Lester
Zachary Marlow
Sue Nance
Lawrence Orick
Scott Stanfield

## UNDERWRITER

Robert W. Baird & Co., Inc.
Red Bank, New Jersey

## 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**

# 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 ..................................... | Campbell County, Tennessee (the "County" or "Issuer"). See APPENDIX B contained herein. |
| Securities Offered.......................... | $21,775,000 General Obligation Bonds, Series 2020 (the "Bonds") of the County, dated June 5, 2020. The Bonds mature each June 1 beginning June 1, 2021 through June 1, 2031, inclusive. See the section entitled "SECURITIES OFFERED" herein for additional information. |
| Security .......................................... | The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. |
| Bond Insurance............................. | Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included hereto to this Official Statement.<br>Any information regarding AGM included herein under the caption "APPENDIX D – BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded. |
| Purpose .......................................... | The Bonds are being issued for the purpose of (i) constructing, improving, repairing, renovating and equipping schools, other educational facilities, libraries, parks and recreation facilities, other public buildings and roads and streets of the County, including improvements and equipment to promote energy efficiency; (ii) acquisition of all property, real and personal, appurtenant thereto or connected with such projects; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing (collectively, the "Projects"); (iv) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; (v) refinancing, in whole or in part, certain Outstanding Bonds of the County, as described herein; and (vi) payment of costs incident to the issuance of the bonds. |
| Optional Redemption .................... | The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028. |
| 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 for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, |

county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)

Ratings .......................................... S&P: AGM Insured "AA" (stable outlook). S&P: "A+" underlying. See the section entitled "MISCELLANEOUS - Ratings" for more information.

Municipal Advisor......................... Cumberland Securities Company, Inc. See the section entitled "MISCELLANEOUS-Municipal Advisor; Related parties; Other" herein.

Underwriter................................... Robert W. Baird & Co., Inc., Red Bank, New Jersey.

Bond Counsel ................................ Bass, Berry & Sims PLC, Knoxville, Tennessee.

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

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

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

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

Other Information.......................... The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County or this *Official Statement* contact E.L. Morton, County Mayor, P.O. Box 435, Jacksboro, Tennessee 37757, Telephone: (423) 562-2526; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

**GENERAL FUND BALANCES**
For the Fiscal Year Ended June 30

| | **2015** | **2016** | **2017** | **2018** | **2019** |
|---|---|---|---|---|---|
| Beginning Fund Balance | $3,798,927 | $4,119,842 | $4,972,962 | $5,696,726 | $5,761,889 |
| Revenues | 13,975,875 | 15,087,927 | 15,645,305 | 16,262,829 | 16,469,680 |
| Expenditures | 13,784,768 | 14,358,656 | 14,998,750 | 15,637,364 | 16,074,286 |
| Other Financing Sources: | | | | | |
| Insurance Recovery | 11,312 | 21,448 | 5,361 | 9,197 | 6,062 |
| Transfers In | 118,496 | 102,401 | 70,848 | 38,000 | 38,000 |
| Transfers Out | - | - | - | (606,499) | - |
| Note Proceeds | - | - | - | - | - |
| Net Change in Fund Balances | 320,915 | 853,120 | 722,764 | 66,163 | 439,456 |
| **Ending Fund Balance** | **$4,119,842** | **$4,972,962** | **$5,695,726** | **$5,761,889** | **$6,201,345** |

*Source:* Comprehensive Annual Financial Reports of Campbell County, Tennessee.

# $21,775,000
# CAMPBELL COUNTY, TENNESSEE
## General Obligation Bonds, Series 2020

SECURITIES OFFERED

**AUTHORITY AND PURPOSE**

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Campbell County, Tennessee (the "County") of $21,775,000 General Obligation Bonds, Series 2020 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 et. seq., *Tennessee Code Annotated,* and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on February 18, 2020 and March 16, 2020 (the "Resolutions").

The Bonds are being issued for the purpose of (i) constructing, improving, repairing, renovating and equipping schools, other educational facilities, libraries, parks and recreation facilities, other public buildings and roads and streets of the County, including improvements and equipment to promote energy efficiency; (ii) acquisition of all property, real and personal, appurtenant thereto or connected with such projects; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing (collectively, the "Projects"); (iv) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; (v) refinancing, in whole or in part, certain Outstanding Bonds of the County, as described below; and (vi) payment of costs incident to the issuance of the bonds.

**REFUNDING PLAN**

The County will apply a portion of the proceeds of the Bonds to refund the outstanding: (1) General Obligation Bonds, Series 2010A (Federally Taxable Build America Bonds), dated November 1, 2010, maturing June 1, 2021 through June 1, 2030 in the outstanding principal amount of $5,275,000 (the "Series 2010A Bonds"); (2) General Obligation Bonds, Series 2010B (Federally Taxable Build America Bonds), dated December 20, 2010, maturing June 1, 2021 through June 1, 2031 in the outstanding principal amount of $10,035,000 (the "Series 2010B Bonds"); (3) General Obligation Bonds, Series 2011 dated June 28, 2011, maturing June 1, 2021 through June 1, 2032 in the outstanding principal amount of $1,955,000 (the "Series 2011 Bonds"); (4) General Obligation Bonds, Series 2012, dated May 1, 2012, maturing May 1, 2021 through May 1, 2027 in the outstanding principal amount of $2,445,000 (the "Series 2012 Bonds") and (5) General Obligation Bonds, Series 2013 (Taxable), dated April 25, 2013, maturing June 1, 2021 through June 1, 2028 in the outstanding principal amount of $900,000 (the "Series 2013 Bonds") (collectively, the "Outstanding Bonds"). The Outstanding Bonds will be called for redemption on June 5, 2020 at par plus accrued interest.

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

**DESCRIPTION OF THE BONDS**

The Bonds will be dated and bear interest from 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 are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of 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 can be reduced to the extent of direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

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

**BOND INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included hereto as Appendix D to this Official Statement.

Any information regarding AGM included herein under the caption "Appendix D- BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

## 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.

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

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

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

## NOTICE OF REDEMPTION

Notice of call for redemption, 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 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 Registration Agent, Regions Bank, Nashville, Tennessee, its successor 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 follows.

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

## BOOK-ENTRY-ONLY SYSTEM

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

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

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

*DTC and its Participants*. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between

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

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

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

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

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

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

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

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

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

**DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the 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-only system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

**DISPOSITION OF BOND PROCEEDS**

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

(a) an amount, which together with 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 of the Outstanding Bonds to be held to the earliest optional redemption date; and

(b) the remainder of the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the 2020 Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the County Mayor to be kept separate and apart from all other funds of the County. The County shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the County for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be invested at the direction of the Finance Director in such investments as shall be permitted by applicable law to the extent permitted by applicable law.

**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:

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

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

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

and if the 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 of the County 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; and 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 suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds.

## TAX MATTERS

### Federal

*General.* Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the 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 a preference item for a bondholder under the federal 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 in the section below "CHANGES IN FEDERAL AND STATE LAW".

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

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

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

*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

## RATINGS

S&P Global Ratings ("S&P") is expected to assign the Bonds the rating of "AA" based on the issuance of a Municipal Bond Insurance Policy for the Bonds by Assured Guaranty Municipal Corp. ("AGM") concurrently with the issuance of the Bonds. Additionally, the Bonds have an underlying rating of "A+" from S&P.

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

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

## COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on May 12, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 4, 2020.

The successful bidder for the Bonds was an account led by Robert W. Baird & Co., Inc., Red Bank, New Jersey (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 $24,805,929.45(consisting of the par amount of the Bonds, plus a net original issue premium of $3,243,426.90 and less an underwriter's discount of $153,497.45 and less an insurance premium paid by the Underwriter of $59,000.00) or 113.919% of par.

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

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

*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. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

**ADDITIONAL DEBT**

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

## DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the 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 Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

*Five-Year History of Filing.* While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. 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 on a timely basis 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-8;

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-9 and B-10;

3. Information about the Bonded Debt Service Schedule – Includes Notes Supported by School Department as of the end of such fiscal year as shown on page B-11;

4. The Fund Balances and Retained Earnings for the fiscal year as shown on page B-12;

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

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-19;

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-20; and

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

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 each of the Repositories or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The 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; and

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

   o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the obligated person, 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 PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

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

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

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

**CERTIFICATION OF THE COUNTY**

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/ E.L. Morton
County Mayor

ATTEST:

/s/ Alene Baird
County Clerk

APPENDIX A

# LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Campbell County, Tennessee (the "Issuer") of its $21,775,000 General Obligation Bonds, Series 2020 (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 of 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

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

## GENERAL

The County has a land area of approximately 447 square miles or 286,080 acres. The principal industries in the County are light manufacturing in general and involve metal components and fabrication in specific. The textile industry also retains a solid position in the County's employment structure. Natural resources composed of our timber, coal limestone, and iron ore are economic staples and vital to the employment base. Twenty-eight percent (28%) of the land area is devoted to farming, with primary agricultural interests being cattle, swine, tobacco, potatoes, hay and corn.

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

The County is also part of the Knoxville-Sevierville-Harriman 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. The Town of Jacksboro has a population of 12,020 according to the 2010 Census. The County has a population of 40,716, according to the 2010 Census.

## TRANSPORTATION

Transportation facilities are provided by the CSX Railway, U.S. Highway 25-W, State and County Highways 63 and 90, and by Interstate Highway 75, which traverses the County. Campbell County also is served by its own airport with an asphalt runway of over 3,500 feet in length. The nearest commercial airport is the McGhee Tyson Airport 41 miles away in Knoxville.

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## EDUCATION

The *Campbell County Board of Education* operates fifteen schools, including an adult high school in the County. The school system had a fall 2018 enrollment of 5,187 with about 343 teachers.

*Source:* Tennessee Department of Education.

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

*The Tennessee College of Applied Technology at Jacksboro.* The Tennessee College of Applied Technology at Jacksboro (the "TCAT-J") is part of a statewide system of 26 vocational-technical schools. The TCAT-J meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-J serves the northeast region of the state including Campbell and Union Counties. The TCAT-J began operations in 1967, and the main campus is located in Campbell County. Fall 2017 enrollment was 313 students.

*Source:* Tennessee Technology Centers.

*Roane State Community College Campbell County Branch.* Roane State Community College, which began operation in 1971 in Harriman, Roane County, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2018 enrollment was about 5,870 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

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

*Source:* Roane State Community College.

## HEALTHCARE

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

*LaFollette Medical Center* (previously St. Mary's Medical Center of Campbell County) has 66 beds with 116 doctors and just recently finished a $5 million renovation and expansion project. The hospital offers a full array of medical services such as a 24-hour emergency department, general surgery and state-of-the-art diagnostic equipment like MRI, CT, nuclear medicine, x-ray and mammography. LaFollette Medical Center is owned and operated by Tennova Healthcare. Tennova Healthcare was acquired by of one of the largest for-profit hospital companies in the country, Community Health Systems, Inc. (the "CHS"). CHS is one of the nation's leading operators of general acute care hospitals based in Brentwood, TN. The organization's affiliates own, operate or lease 127 hospitals in 20 states with approximately 21,000 licensed beds. There are sixteen CHS hospitals in Tennessee.

*Source:* Community Health Systems and Knoxville News Sentinel.

**MANUFACTURING AND COMMERCE**

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

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

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

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

| Company | Product | Employment |
|---|---|---|
| Campbell County School System* | Administration/teachers/services | 434 |
| WalMart | Retail | 330 |
| A & S Building Systems | Prefabricated Steel Buildings | 300 |
| Campbell County Government | County Government | 290 |
| Campos Food | Food Distribution | 285 |
| St. Mary's Hospital (Lafollette) | Medical Center | 275 |
| Advance Food | Frozen Food Processor | 225 |
| Camel Manufacturing | Canvas | 183 |
| Jellico Community Hospital | Medical Center | 175 |
| BMT Manufacturing | Trailers | 148 |
| B/S/H Home Appliance Corp. | Barbeque Equipment | 125 |
| Natural Sorb | Defense Dept. Sewn Products | 110 |
| Masco Corp. | Refrigeration | 95 |
| Muller Gas | Gas Burners | 87 |
| City of Lafollette | Government | 84 |
| Matix Corp. | Automotive Parts | 80 |

* Teachers, administrators and staff only

*Source:* Department of Economic Development.

## EMPLOYMENT INFORMATION

For the month of March 2020, the unemployment rate for the County stood at 4.9% with 14,263 persons employed out of a labor force of 15,001.

The Knoxville MSA's unemployment for March 2020 was at 3.5% with 418,411 persons employed out of a labor force of 433,505. As of March 2020, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 3.7%, representing 535,021 persons employed out of a workforce of 555,329.

| | 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% |
| **Campbell County** | **9.3%** | **7.9%** | **6.9%** | **5.2%** | **4.8%** |
| Index vs. National | 150 | 149 | 141 | 118 | 133 |
| Index vs. State | 141 | 141 | 147 | 137 | 137 |
| **Knoxville MSA** | **6.1%** | **5.2%** | **4.4%** | **3.6%** | **3.3%** |
| Index vs. National | 98 | 98 | 90 | 82 | 92 |
| Index vs. State | 92 | 93 | 94 | 95 | 94 |
| **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.

*[balance of page left blank]*

## 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 |
| **Campbell County** | **$29,683** | **$29,992** | **$31,746** | **$32,133** | **$33,042** |
| Index vs. National | 66 | 64 | 65 | 64 | 64 |
| Index vs. State | 75 | 73 | 74 | 73 | 73 |
| **Knoxville MSA** | **$38,267** | **$39,816** | **$41,611** | **$42,547** | **$43,903** |
| Index vs. National | 85 | 85 | 85 | 85 | 85 |
| Index vs. State | 97 | 97 | 97 | 97 | 96 |
| **Knoxville-Sevierville-Harriman-LaFollette 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** | **Campbell County** | **LaFollette** |
|---|---|---|---|---|
| Median Value Owner Occupied Housing | $204,900 | $158,600 | $97,200 | $59,700 |
| % High School Graduates or Higher Persons 25 Years Old and Older | 87.7% | 87.0% | 75.5% | 72.7% |
| % Persons with Income Below Poverty Level | 11.8% | 15.3% | 21.6% | 28.0% |
| Median Household Income | $60,293 | $50,972 | $38,170 | $27,903 |

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

## RECREATION

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

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

*Source:* Tennessee Wildlife Resources Agency.

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

*Source:* Tennessee State Parks.

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

*Source:* National Park Service.

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

*Source:* Tennessee State Parks.

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

*Source:* Tennessee State Parks.

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

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

*Source:* Tennessee Valley Authority and Knoxville News Sentinel.

## RECENT DEVELOPMENTS

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

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# CAMPBELL COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

## General Obligation Bonds

| Amount Issued | | Purpose | Due Date | Interest Rate(s) | As of June 30, 2019 Outstanding (1) |
|---|---|---|---|---|---|
| $ 500,000 | | Capital Outlay Notes, Series 2008 | Nov. 2020 | Fixed | $ 62,497 |
| 5,500,000 | | General Obligation Bonds, Series 2010A (Federally Taxable Build America Bonds) | June 2030 | Fixed | 5,300,000 |
| 10,125,000 | | General Obligation Bonds, Series 2010B (Federally Taxable Build America Bonds) | June 2031 | Fixed | 10,045,000 |
| 2,000,000 | | General Obligation Bonds, Series 2011 | June 2032 | Fixed | 1,960,000 |
| 4,160,000 | (2) | General Obligation Bonds, Series 2012 | May 2027 | Fixed | 2,725,000 |
| 1,387,088 | (2) | Loan Agreement, Series 2012 (EESI) | June 2022 | Zero | 393,014 |
| 1,670,000 | (2) | General Obligation Bonds, Series 2013 (Taxable) | June 2028 | Fixed | 1,030,000 |
| 500,000 | | Capital Outlay Note, Series 2016 | June 2028 | Fixed | 374,900 |
| 300,000 | | Capital Outlay Note, Series 2017 | June 2021 | Fixed | 250,000 |
| 9,055,000 | | General Obligation Refunding Bonds, Series 2017 | June 2026 | Fixed | 8,710,000 |
| 7,925,000 | | General Obligation Refunding Bonds, Series 2018 | June 2025 | Fixed | 7,750,000 |
| 1,408,708 | (2) | Loan Agreement, Series 2018 (EESI) | June 2032 | Fixed | 1,408,708 |
| 73,420 | (2) | Loan Agreement, Series 2018 (EESI) | June 2032 | Fixed | 73,420 |
| $ 44,604,216 | | EXISTING BONDED DEBT | | | $ 40,082,539 |
| $ 25,050,000 | | General Obligation Bonds, Series 2020 | June 2031 | Fixed | 25,050,000 |
| (23,455,000) | | Less: Bonds Being Refunded | | | (20,610,000) |
| $ 46,199,216 | | NET GENERAL OBLIGATION BONDED DEBT | | | $ 44,522,539 |

**NOTES:**

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

(2) Payable by the school department.

## CAMPBELL COUNTY, TENNESSEE

Indebtedness and Debt Ratios

### INTRODUCTION

The information set forth in the following table is based upon information derived in part from the Annual Financial Report 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 Fiscal Year Ended June 30 | | | | | After Issuance |
|---|---|---|---|---|---|---|
| **INDEBTEDNESS** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| TAX SUPPORTED | | | | | | |
| General Obligation Bonds & Notes | $49,040,230 | $46,489,968 | $44,319,561 | $41,742,486 | $40,082,539 | $44,522,539 |
| TOTAL TAX SUPPORTED | $49,040,230 | $46,489,968 | $44,319,561 | $41,742,486 | $40,082,539 | $44,522,539 |
| REVENUE SUPPORTED | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL REVENUE SUPPORTED | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL DEBT | $49,040,230 | $46,489,968 | $44,319,561 | $41,742,486 | $40,082,539 | $44,522,539 |
| Less: Revenue Supported Debt | $0 | $0 | $0 | $0 | $0 | $0 |
| Less: Debt Service Fund | (1,458,958) | (1,697,550) | (1,652,709) | (1,768,413) | (1,826,852) | (1,826,852) |
| NET DIRECT DEBT | $47,581,272 | $44,792,418 | $42,666,852 | $39,974,073 | $38,255,687 | $42,695,687 |

| **PROPERTY TAX BASE** | | | | | | |
|---|---|---|---|---|---|---|
| Estimated Actual Value | $2,707,664,661 | $2,732,126,322 | $2,795,078,758 | $2,820,592,718 | $3,040,224,453 | $3,101,724,966 |
| Appraised Value | 2,707,664,661 | 2,732,126,322 | 2,741,413,246 | 2,766,437,338 | 2,790,013,981 | 3,101,724,966 |
| Assessed Value | 750,246,012 | 758,120,883 | 761,413,898 | 767,686,625 | 774,648,185 | 862,595,385 |

| | For Fiscal Year Ended June 30 | | | | | After Issuance |
|---|---|---|---|---|---|---|
| **DEBT RATIOS** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| TOTAL DEBT to Estimated Actual Valu | 1.81% | 1.70% | 1.59% | 1.48% | 1.32% | 1.44% |
| TOTAL DEBT to Appraised Value | 1.81% | 1.70% | 1.62% | 1.51% | 1.44% | 1.44% |
| TOTAL DEBT to Assessed Value | 6.54% | 6.13% | 5.82% | 5.44% | 5.17% | 5.16% |
| NET DIRECT DEBT to Estimated Actual Value | 1.76% | 1.64% | 1.53% | 1.42% | 1.26% | 1.38% |
| NET DIRECT DEBT to Appraised Value | 1.76% | 1.64% | 1.56% | 1.44% | 1.37% | 1.38% |
| NET DIRECT DEBT to Assessed Value | 6.34% | 5.91% | 5.60% | 5.21% | 4.94% | 4.95% |
| **PER CAPITA RATIOS** | | | | | | |
| POPULATION (1) | 39,752 | 39,714 | 39,648 | 39,583 | 39,583 | 39,842 |
| PER CAPITA PERSONAL INCOME (2) | $31,746 | $32,133 | $33,042 | $33,042 | $33,042 | $33,042 |
| Estimated Actual Value to POPULATIO | $68,114 | $68,795 | $70,497 | $71,258 | $76,806 | $77,851 |
| Assessed Value to POPULATION | $18,873 | $19,090 | $19,204 | $19,394 | $19,570 | $21,650 |
| Total Debt to POPULATION | $1,234 | $1,171 | $1,118 | $1,055 | $1,013 | $1,117 |
| Net Direct Debt to POPULATION | $1,197 | $1,128 | $1,076 | $1,010 | $966 | $1,072 |
| Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCO | 3.89% | 3.64% | 3.38% | 3.19% | 3.06% | 3.38% |
| Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCO | 3.77% | 3.51% | 3.26% | 3.06% | 2.92% | 3.24% |

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

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

**CAMPBELL COUNTY, TENNESSEE**

Debt Service Schedule - Includes Notes Supported by School Department

| F.Y. Ended | Existing Debt (1) As of June 30, 2019 | | | | Less: Bonds Being Refunded | | | General Obligation Bonds, Series 2020 | | | % Principal 2020 Bonds | Total Bonded Debt Service Requirements (1) | | | | % Principal All Debt |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6/30 | Principal | Interest | Estimated Rebate | TOTAL | Principal | Interest | TOTAL | Principal | Interest (2) | TOTAL | Repaid | Principal | Interest | Rebate | TOTAL | Repaid |
| 2020 | $ 3,303,895 | $ 1,532,197 | $ (298,895) | $ 4,537,197 | $ - | $ - | $ - | $ - | $ - | $ - | 0.00% | $ 3,303,895 | $ 1,532,197 | $ (298,895) | $ 4,537,197 | 7.42% |
| 2021 | 3,414,234 | 1,443,610 | (298,342) | 4,559,502 | (510,000) | (1,016,603) | (1,526,603) | 1,125,000 | 521,512 | 1,646,512 | 4.49% | 4,029,234 | 948,520 | - | 4,977,754 | 16.47% |
| 2022 | 3,281,482 | 1,352,534 | (297,484) | 4,336,532 | (570,000) | (1,003,774) | (1,573,774) | 1,165,000 | 506,090 | 1,671,090 | 9.14% | 3,876,482 | 854,850 | - | 4,731,332 | 25.18% |
| 2023 | 3,262,084 | 1,262,061 | (296,539) | 4,227,605 | (600,000) | (988,389) | (1,588,389) | 1,170,000 | 487,450 | 1,657,450 | 13.81% | 3,832,084 | 761,122 | - | 4,593,206 | 33.78% |
| 2024 | 3,298,296 | 1,169,250 | (295,594) | 4,171,952 | (535,000) | (971,379) | (1,506,379) | 1,160,000 | 467,560 | 1,627,560 | 18.44% | 3,923,296 | 665,432 | - | 4,588,728 | 42.60% |
| 2025 | 3,379,520 | 1,075,108 | (294,649) | 4,159,979 | (565,000) | (955,549) | (1,520,549) | 1,170,000 | 446,680 | 1,616,680 | 23.11% | 3,984,520 | 566,239 | - | 4,550,759 | 51.55% |
| 2026 | 3,095,744 | 978,808 | (293,704) | 3,780,848 | (1,505,000) | (938,574) | (2,443,574) | 2,360,000 | 424,450 | 2,784,450 | 32.53% | 3,950,744 | 464,684 | - | 4,415,428 | 60.42% |
| 2027 | 3,271,992 | 875,452 | (274,489) | 3,872,955 | (3,105,000) | (867,586) | (3,972,586) | 3,780,000 | 377,250 | 4,157,250 | 47.62% | 3,946,992 | 385,116 | - | 4,332,108 | 69.28% |
| 2028 | 3,472,852 | 716,384 | (224,702) | 3,964,534 | (3,305,000) | (710,618) | (4,015,618) | 3,410,000 | 297,870 | 3,707,870 | 61.24% | 3,577,852 | 303,637 | - | 3,881,489 | 77.32% |
| 2029 | 3,452,824 | 534,817 | (163,710) | 3,823,931 | (3,325,000) | (530,943) | (3,855,943) | 3,370,000 | 224,555 | 3,594,555 | 74.69% | 3,497,824 | 228,429 | - | 3,726,253 | 85.18% |
| 2030 | 3,579,108 | 350,164 | (100,579) | 3,828,693 | (3,450,000) | (347,568) | (3,797,568) | 3,430,000 | 148,730 | 3,578,730 | 88.38% | 3,559,108 | 151,326 | - | 3,710,434 | 93.17% |
| 2031 | 2,479,537 | 157,685 | (34,713) | 2,602,509 | (2,360,000) | (156,380) | (2,516,380) | 2,910,000 | 69,840 | 2,979,840 | 100.00% | 3,029,537 | 71,145 | - | 3,100,682 | 99.98% |
| 2032 | 790,971 | 31,262 | - | 822,233 | (780,000) | (31,200) | (811,200) | - | - | - | 100.00% | 10,971 | 62 | - | 11,033 | 100.00% |
| | $ 40,082,539 | $ 11,479,332 | $ (2,873,400) | $ 48,688,470 | $ (20,610,000) | $ (8,518,560) | $ (29,128,560) | $ 25,050,000 | $ 3,971,987 | $ 29,021,987 | | $ 44,522,539 | $ 6,932,759 | $ (298,895) | $ 51,156,403 | |

**NOTES:**

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) Estimated Interest Rates. Estimated Average Coupon 2.20%.

# FINANCIAL INFORMATION

## INTRODUCTION

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

## FUND BALANCES AND RETAINED EARNINGS

The County maintains fund balances or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the County.

The table below depicts fund balances 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 | $4,119,842 | $ 4,972,962 | $ 5,695,726 | $ 5,761,889 | $ 6,201,345 |
| Highway/Public Works | 927,932 | 1,508,062 | 1,820,551 | 1,611,320 | 2,186,438 |
| General Debt Service | 1,458,958 | 1,697,550 | 1,652,709 | 1,768,413 | 1,826,852 |
| Other Governmental | 2,403,231 | 3,130,907 | 3,553,153 | 4,635,039 | 4,260,733 |
| **Total** | **$8,909,963** | **$11,309,481** | **$12,722,139** | **$13,776,661** | **$14,475,368** |

*Source:* Comprehensive Annual Financial Reports of Campbell County, Tennessee.

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**CAMPBELL COUNTY, TENNESSEE**

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

| | For Fiscal Year Ending June 30, | | | | |
|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** |
| **Revenues:** | | | | | |
| Local taxes | $ 8,128,723 | $ 8,580,079 | $ 8,707,564 | $ 9,119,362 | $ 8,848,532 |
| Licenses and Permits | 120,181 | 173,100 | 212,296 | 174,134 | 172,009 |
| Fines, Forfeitures and penalties | 209,171 | 222,829 | 249,790 | 252,767 | 246,317 |
| Charges for current services | 146,781 | 157,125 | 154,186 | 167,164 | 175,205 |
| Other Local Revenues | 92,786 | 124,037 | 134,153 | 112,592 | 108,077 |
| Fees Received From County Officials | 1,697,688 | 1,763,471 | 1,799,921 | 1,870,171 | 1,890,316 |
| State of Tennessee | 3,084,563 | 3,166,880 | 3,655,651 | 3,727,156 | 4,179,293 |
| Federal Government | 71,218 | 521,835 | 303,015 | 316,529 | 294,337 |
| Other Govmt & Citizens Groups | 424,764 | 378,571 | 428,729 | 522,954 | 555,594 |
| **Total Revenues** | $ 13,975,875 | $ 15,087,927 | $ 15,645,305 | $ 16,262,829 | $ 16,469,680 |
| **Expenditures and Other Uses:** | | | | | |
| General government | $ 1,565,328 | $ 1,473,916 | $ 1,608,625 | $ 1,519,095 | $ 1,654,205 |
| Finance | 2,523,274 | 2,452,091 | 2,370,361 | 2,528,028 | 2,611,169 |
| Administration of Justice | 1,245,447 | 1,229,611 | 1,278,009 | 1,286,099 | 1,352,362 |
| Public Safety | 6,524,968 | 7,263,706 | 7,871,284 | 8,118,613 | 8,801,792 |
| Public Health & Welfare | 1,056,723 | 1,033,359 | 1,022,773 | 910,045 | 904,215 |
| Social, Cultural, & Recreational Services | 182,850 | 166,995 | 182,579 | 205,399 | 182,307 |
| Agricultural & Natural Resources | 49,810 | 45,615 | 45,034 | 48,097 | 50,033 |
| Other Operations | 636,368 | 693,363 | 572,149 | 475,452 | 494,474 |
| Highways | - | - | 4,354 | 29,085 | 23,729 |
| Support Services | - | - | 43,582 | 517,451 | - |
| Debt Service | - | - | - | - | - |
| Capital Projects | - | - | - | - | - |
| **Total Expenditures** | $ 13,784,768 | $ 14,358,656 | $ 14,998,750 | $ 15,637,364 | $ 16,074,286 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 191,107 | $ 729,271 | $ 646,555 | $ 625,465 | $ 395,394 |
| **Other Sources / Uses:** | | | | | |
| Note Proceeds | $ - | $ - | $ - | $ - | $ - |
| Insurance Recovery | 11,312 | 21,448 | 5,361 | 9,197 | 6,062 |
| Operating transfers in | 118,496 | 102,401 | 70,848 | 38,000 | 38,000 |
| Operating Transfers out | - | - | - | (606,499) | - |
| **Total Expenditures & Other uses** | $ 129,808 | $ 123,849 | $ 76,209 | $ (559,302) | $ 44,062 |
| Net Change in Fund Balances | $ 320,915 | $ 853,120 | $ 722,764 | $ 66,163 | $ 439,456 |
| **Fund Balance July 1** | 3,798,927 | 4,119,842 | 4,972,962 | 5,695,726 | 5,761,889 |
| Residual Equity Transfers | - | - | - | - | - |
| **Fund Balance June 30** | **$ 4,119,842** | **$ 4,972,962** | **$ 5,695,726** | **$ 5,761,889** | **$ 6,201,345** |

*Source:* Comprehensive Annual Financial Report for Campbell County, Tennessee

## BASIS OF ACCOUNTING AND PRESENTATION

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, (2) principal and interest on general long-term debt which is recognized when due, and (3) inventory purchases which are not recognized until the inventory item has been used.

## BUDGETARY PROCESS

All operating departments of the County are required to submit line-item budgets to the County Mayor on or before April 1 of each year or on such date as may be prescribed by the County Board of Commissioners. The Board of Commissioners reviews departmental budgets compiled by the County Mayor and submitted by the various departments. Normally, a budget is adopted in June or July for the fiscal year which begins on July 1. The Board of Commissioners has the authority to amend, reduce or add to the budget submitted by County operating departments; however, there is no authority to make transfers among the major funds. The Board of Commissioners may make amendments within funds during the year; however, amendments to the school system operating budget must first be approved by the elected County School Board.

## INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the State equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for the administration of all County investments.

## REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

***County Taxation of Property***

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

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

***Assessment of Property***

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

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

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

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

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

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

***Periodic Reappraisal and Equalization***

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

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

***Valuation for Property Tax Purposes***

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

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

### *Certified Tax Rate*

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

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

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

### *Tax Freeze for the Elderly Homeowners*

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

***Tax Collection and Tax Lien***

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

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

*Assessed Valuations.* According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00. The table on the following page shows pertinent data for tax year 2019[1].

| Class | Estimated Assessed Valuation | Assessment Rate | Estimated Actual Valuation |
|---|---|---|---|
| Public Utilities | $ 36,316,644 | 55% | $ 83,142,308 |
| Commercial and Industrial | 171,199,960 | 40% | 427,999,900 |
| Personal Tangible Property | 44,598,281 | 30% | 148,660,758 |
| Residential and Farm | 610,480,500 | 25% | 2,441,922,000 |
| **Total** | **$862,595,385** | | **$3,101,724,966** |

*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 $862,595,385 compared to $774,648,185 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is $3,101,724,966 compared to $3,040,224,453 for tax year 2018.

*[balance of page left blank]*

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

*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 Yr Collections** | | **Aggregate Uncollected Balance** | |
|---|---|---|---|---|---|---|---|
| **Tax Year** | **Assessed Valuation** | **Tax Rates** | **Taxes Levied** | **Amount** | **Pct** | **As of June 30, 2019 Amount** | **Pct** |
| 2015 | $758,120,883 | $ 2.25 | $16,977,369 | $15,624,621 | 92.0% | N/A | |
| 2016 | 761,413,898 | 2.25 | 17,024,569 | 15,629,949 | 91.8% | N/A | |
| 2017 | 767,686,625 | 2.25 | 17,165,809 | 15,847,251 | 92.3% | N/A | |
| 2018 | 774,648,185 | 2.25 | 17,366,678 | 15,963,219 | 91.9% | $1,403,459 | 8.1% |
| 2019 | 862,595,385 | 2.0659 | 17,561,592 | **IN PROGRESS** | | | |

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

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

| | **Taxpayer** | **Business Type** | **Assessment** | **Taxes Paid** |
|---|---|---|---|---|
| 1. | Haskel Ayers, etc. | Real Estate | $ 8,483,905 | $ 191,086 |
| 2. | CSX. | Railroad | 7,422,845 | 167,014 |
| 3. | Norfolk Southern | Railroad | 6,307,118 | 141,910 |
| 4. | BSH | Manufacturing | 4,778,225 | 107,510 |
| 5. | Tennova/LaFollette Med | Medical | 4,721,360 | 106,231 |
| 6. | Walmart | Retail | 4,275,080 | 96,189 |
| 7. | Campos | Manufacturing | 4,051,818 | 91,165 |
| 8. | Woodson's Cash Stores | Retail | 4,006,929 | 78,385 |
| 9. | Matix | Manufacturing | 3,034,757 | 68,283 |
| 10. | Bell South | Telecommunications | 2,075,835 | 46,707 |
| | **TOTAL** | | **$49,157,872** | **$1,094,480** |

*Source:* The County.

**PENSION PLANS**

Employees of Campbell 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 Campbell County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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**APPENDIX C**

# GENERAL PURPOSE FINANCIAL STATEMENTS

# OF

# CAMPBELL COUNTY, TENNESSEE

# 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 the Coffee County for the fiscal year ended June 30, 2019 which is available upon request from the County.

# ANNUAL FINANCIAL REPORT

# CAMPBELL 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*


*MARK TREECE, CPA, CGFM*
*Audit Manager*

*AMY SOSVILLE, CPA*
*Senior Auditor*

*ANDREW WAY, CPA*
*JAKE ROGERS*
*ANDREW HUGHETT*
*HEATHER COOK*
*DOUG SANDIDGE, CISA, CFE*
*State Auditors*


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

# CAMPBELL COUNTY, TENNESSEE
# TABLE OF CONTENTS

# *Summary of Audit Findings*

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

### *Scope*

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

### *Results*

Our report on the financial statements of Campbell County is unmodified.

Our audit resulted in one finding and recommendation, which we have reviewed with Campbell County management. The detailed finding, recommendation, and management's response are included in the Single Audit section of this report.

### *Finding*

The following is a summary of the audit finding:

## OFFICE OF COUNTY MAYOR

- Several travel credit card charges were not supported with itemized receipts.

# INTRODUCTORY SECTION

# Campbell County Officials
June 30, 2019

### Officials

E.L. Morton, County Mayor
Ron Dilbeck, Road Superintendent
Jennifer Fields, Director of Schools
Monty Bullock, Trustee
Brandon Partin, Assessor of Property
Alene Baird, County Clerk
Bobby Vann, Circuit and General Sessions Courts Clerk
Dennis Potter, Clerk and Master
June Turner, Register of Deeds
Robbie Goins, Sheriff
Jeff Marlow, Director of Finance

### Board of County Commissioners

E.L. Morton, County Mayor, Chairman
Whit Goins
Sue Nance
Scott Kitts
Clifford Kohlmeyer
Johnny Bruce
Tyler King
Lisa Lester
Charles Baird
Dewayne Baird
Robert Higginbotham
Rusty Orick
Scott Stanfield
Ralph Davis
Zachary Marlow
Carl Douglas

### Board of Education

Crystal Creekmore, Chair
Ronnie Lasley
Johnny Byrge
Steve Morgan
Faye Heatherly
Josh James
Lisa Fields
Jeffrey Miller
Brent Lester
Noah Smith

### Financial Management Committee

Rusty Orick, Chairman
Robert Higginbotham
E.L. Morton, County Mayor
Ron Dilbeck, Road Superintendent
Jennifer Fields, Director of Schools
Charles Baird
Tyler King

**Audit Committee**

Robert Wormsley, Chairman
James Cotton
Charles Baird

# Financial Section

JUSTIN P. WILSON
*Comptroller*

JASON E. MUMPOWER
*Deputy Comptroller*

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Campbell 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



CORDELL HULL BUILDING | 425 Fifth Avenue North | Nashville, Tennessee 37243

estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Campbell County, Tennessee, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the General, Ambulance Service, 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*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule 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 schedule 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 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 Campbell 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 Campbell County School Department (a discretely presented component unit), miscellaneous schedules and the other information such as the introductory section and management's corrective action plan 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 Campbell 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 Campbell 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 plan 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 January 17, 2020, on our consideration of Campbell 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 Campbell 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 Campbell County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 17, 2020

JPW/tg

# BASIC FINANCIAL STATEMENTS

Exhibit A

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

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Campbell County School Department |
| **ASSETS** | | |
| Cash | $ 2,207 | $ 8,568 |
| Equity in Pooled Cash and Investments | 13,350,367 | 8,393,040 |
| Inventories | 12,386 | 0 |
| Accounts Receivable | 1,005,255 | 3,728 |
| Allowance for Uncollectible | (216,256) | 0 |
| Due from Other Governments | 2,057,476 | 1,248,420 |
| Due from Primary Government | 0 | 94 |
| Due from Component Units | 36,487 | 0 |
| Property Taxes Receivable | 12,996,439 | 5,949,562 |
| Allowance for Uncollectible Property Taxes | (670,814) | (332,039) |
| Net Pension Asset - Agent Plan | 1,867,270 | 818,290 |
| Net Pension Asset - Teacher Hybrid Retirement Plan | 0 | 136,201 |
| Net Pension Asset - Teacher Legacy Retirement Plan | 0 | 1,859,796 |
| Prepaid Items | 12,471 | 0 |
| Restricted Assets: | | |
| Amounts Accumulated for Pension Benefits | 0 | 71,455 |
| Capital Assets: | | |
| Assets Not Depreciated: | | |
| Land | 2,128,410 | 1,284,425 |
| Construction in Progress | 80,075 | 244,855 |
| Assets Net of Accumulated Depreciation: | | |
| Buildings and Improvements | 22,756,345 | 43,198,779 |
| Other Capital Assets | 4,316,231 | 1,245,763 |
| Infrastructure | 32,400,847 | 0 |
| Total Assets | $ 92,135,196 | $ 64,130,937 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Charge on Refunding | $ 83,940 | $ 0 |
| Pension Changes in Experience | 12,269 | 389,018 |
| Pension Changes in Assumptions | 444,091 | 1,299,443 |
| Pension Contributions After Measurement Date | 537,982 | 2,178,503 |
| Pension Changes in Proportion | 0 | 214,281 |
| OPEB Changes in Assumptions | 0 | 127,245 |
| OPEB Changes in Proportion | 0 | 49,237 |
| OPEB Contributions After Measurement Date | 33,690 | 528,192 |
| Total Deferred Outflows of Resources | $ 1,111,972 | $ 4,785,919 |

(Continued)

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

| | Primary Government Governmental Activities | Component Unit Campbell County School Department |
|---|---|---|
| **LIABILITIES** | | |
| Accounts Payable | $ 645,706 | $ 106,783 |
| Accrued Payroll | 106,407 | 23,256 |
| Contracts Payable | 32,198 | 5,340 |
| Retainage Payable | 0 | 12,065 |
| Accrued Interest Payable | 167,242 | 0 |
| Payroll Deductions Payable | 219,655 | 649,739 |
| Due to Primary Government | 0 | 36,487 |
| Due to Component Units | 94 | 0 |
| Other Collections | 16,575 | 0 |
| Noncurrent Liabilities: | | |
| Due Within One Year - Debt | 3,303,895 | 0 |
| Due Within One Year - Other | 392,428 | 108,314 |
| Due in More Than One Year - Debt | 37,423,614 | 0 |
| Due in More Than One Year - Other | 1,004,812 | 7,770,194 |
| Total Liabilities | $ 43,312,626 | $ 8,712,178 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Current Property Taxes | $ 11,819,136 | $ 5,343,410 |
| Pension Changes in Experience | 679,001 | 2,811,994 |
| Pension Changes in Investment Earnings | 125,437 | 467,433 |
| Pension Changes in Proportion | 0 | 81,363 |
| OPEB Changes in Experience | 288,000 | 1,583,204 |
| OPEB Changes in Assumptions | 5,000 | 268,762 |
| Total Deferred Inflows of Resources | $ 12,916,574 | $ 10,556,166 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | $ 48,904,199 | $ 45,973,822 |
| Restricted for: | | |
| General Government | 38,143 | 0 |
| Administration of Justice | 196,812 | 0 |
| Public Safety | 139,568 | 0 |
| Public Health and Welfare | 61,860 | 0 |
| Other Operations | 328,648 | 0 |
| Highways | 233,321 | 0 |
| Education | 0 | 662,656 |
| Pensions | 1,867,270 | 2,885,742 |
| Capital Projects | 149,946 | 0 |
| Unrestricted | (14,901,799) | 126,292 |
| Total Net Position | $ 37,017,968 | $ 49,648,512 |

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

Exhibit B

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

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government Total Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Component Unit Campbell County School Department |
|---|---|---|---|---|---|---|
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | $ 2,796,335 | $ 756,542 | $ 15,164 | $ 0 | $ (2,024,629) | $ 0 |
| Finance | 2,535,472 | 1,103,214 | 120,067 | 0 | (1,312,191) | 0 |
| Administration of Justice | 1,308,172 | 876,303 | 0 | 0 | (431,869) | 0 |
| Public Safety | 9,197,261 | 2,204,722 | 526,734 | 25,000 | (6,440,805) | 0 |
| Public Health and Welfare | 6,092,140 | 2,559,033 | 942,875 | 527,535 | (2,062,697) | 0 |
| Social, Cultural, and Recreational Services | 241,558 | 51,415 | 10,121 | 0 | (180,022) | 0 |
| Agriculture and Natural Resources | 50,033 | 0 | 0 | 0 | (50,033) | 0 |
| Highways | 7,362,034 | 354,300 | 2,632,846 | 1,216,442 | (3,158,446) | 0 |
| Education | 1,481,434 | 0 | 0 | 0 | (1,481,434) | 0 |
| Interest on Long-term Debt | 1,412,928 | 0 | 0 | 0 | (1,412,928) | 0 |
| Total Primary Government | $ 32,477,367 | $ 7,905,529 | $ 4,247,807 | $ 1,768,977 | $ (18,555,054) | $ 0 |
| Component Unit: | | | | | | |
| Campbell County School Department | $ 51,132,879 | $ 170,558 | $ 8,447,502 | $ 1,481,434 | $ 0 | $ (41,033,385) |
| Total Component Unit | $ 51,132,879 | $ 170,558 | $ 8,447,502 | $ 1,481,434 | $ 0 | $ (41,033,385) |

(Continued)

Exhibit B

Campbell County, Tennessee
Statement of Activities (Cont.)

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government Total Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Component Unit Campbell County School Department |
|---|---|---|---|---|---|---|
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes Levied for General Purposes | | | | | $ 6,830,753 | $ 6,038,494 |
| Property Taxes Levied for Solid Waste | | | | | 1,171,523 | 0 |
| Property Taxes Levied for Ambulance Service | | | | | 769,228 | 0 |
| Property Taxes Levied for Economic Development | | | | | 213,152 | 0 |
| Property Taxes Levied for Highways | | | | | 394,188 | 0 |
| Property Taxes Levied for Debt Service | | | | | 1,097,925 | 0 |
| Property Taxes Levied for Capital Projects | | | | | 674,404 | 0 |
| Local Option Sales Taxes | | | | | 1,070,558 | 4,056,042 |
| Other Local Taxes: | | | | | | |
| Hotel/Motel Tax | | | | | 435,751 | 0 |
| Coal Severance Tax | | | | | 0 | 1,034 |
| Wheel Tax | | | | | 1,491,232 | 0 |
| Litigation Taxes | | | | | 418,950 | 0 |
| Business Tax | | | | | 319,914 | 0 |
| Mineral Severance Tax | | | | | 89,866 | 0 |
| Wholesale Beer Tax | | | | | 132,379 | 0 |
| Other Local Taxes | | | | | 333,786 | 0 |
| Grants and Contributions Not Restricted to Specific Programs | | | | | 4,389,373 | 33,718,040 |
| Unrestricted Investment Income | | | | | 93,397 | 644 |
| Gain on Investments | | | | | 0 | 3,607 |
| Miscellaneous | | | | | 36,998 | 40,183 |
| Total General Revenues | | | | | $ 19,963,377 | $ 43,858,044 |
| Change in Net Position | | | | | $ 1,408,323 | $ 2,824,659 |
| Net Position, July 1, 2018 | | | | | 35,609,645 | 46,823,853 |
| Net Position, June 30, 2019 | | | | | $ 37,017,968 | $ 49,648,512 |

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

Exhibit C-1

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

| | Major Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|---|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| **ASSETS** | | | | | | |
| Cash | $ 232 | $ 200 | $ 0 | $ 0 | $ 1,775 | $ 2,207 |
| Equity in Pooled Cash and Investments | 5,588,801 | 660,545 | 1,828,918 | 1,683,103 | 3,589,000 | 13,350,367 |
| Inventories | 0 | 0 | 12,386 | 0 | 0 | 12,386 |
| Accounts Receivable | 275,192 | 665,411 | 23,302 | 0 | 41,350 | 1,005,255 |
| Allowance for Uncollectibles | 0 | (210,701) | 0 | 0 | (5,555) | (216,256) |
| Due from Other Governments | 759,655 | 84,220 | 851,009 | 283,824 | 78,768 | 2,057,476 |
| Due from Other Funds | 5,721 | 0 | 3,302 | 0 | 1,449 | 10,472 |
| Due from Component Units | 36,487 | 0 | 0 | 0 | 0 | 36,487 |
| Property Taxes Receivable | 7,624,884 | 1,050,160 | 471,457 | 1,515,994 | 2,333,944 | 12,996,439 |
| Allowance for Uncollectible Property Taxes | (400,913) | (50,995) | (24,056) | (72,861) | (121,989) | (670,814) |
| Prepaid Items | 0 | 0 | 0 | 0 | 12,471 | 12,471 |
| Total Assets | $ 13,890,059 | $ 2,198,840 | $ 3,166,318 | $ 3,410,060 | $ 5,931,213 | $ 28,596,490 |
| **LIABILITIES** | | | | | | |
| Accounts Payable | $ 137,410 | $ 168,770 | $ 293,811 | $ 2,500 | $ 43,215 | $ 645,706 |
| Accrued Payroll | 89,281 | 10,868 | 0 | 0 | 6,258 | 106,407 |
| Payroll Deductions Payable | 144,686 | 34,103 | 23,244 | 0 | 17,622 | 219,655 |
| Contracts Payable | 0 | 0 | 0 | 0 | 32,198 | 32,198 |
| Due to Other Funds | 4,733 | 519 | 0 | 0 | 5,220 | 10,472 |
| Due to Component Units | 0 | 0 | 4 | 90 | 0 | 94 |
| Other Collections | 0 | 0 | 0 | 0 | 16,575 | 16,575 |
| Total Liabilities | $ 376,110 | $ 214,260 | $ 317,059 | $ 2,590 | $ 121,088 | $ 1,031,107 |

(Continued)

Exhibit C-1

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

| | Major Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|---|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Deferred Current Property Taxes | $ 6,914,366 | $ 963,674 | $ 429,500 | $ 1,393,174 | $ 2,118,422 | $ 11,819,136 |
| Deferred Delinquent Property Taxes | 286,558 | 32,849 | 16,568 | 46,240 | 86,570 | 468,785 |
| Other Deferred/Unavailable Revenue | 111,680 | 313,717 | 216,753 | 141,204 | 18,740 | 802,094 |
| Total Deferred Inflows of Resources | $ 7,312,604 | $ 1,310,240 | $ 662,821 | $ 1,580,618 | $ 2,223,732 | $ 13,090,015 |
| **FUND BALANCES** | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | $ 0 | $ 0 | $ 12,386 | $ 0 | $ 0 | $ 12,386 |
| Prepaid Items | 0 | 0 | 0 | 0 | 12,471 | 12,471 |
| Restricted: | | | | | | |
| Restricted for General Government | 32,735 | 0 | 0 | 0 | 0 | 32,735 |
| Restricted for Administration of Justice | 196,812 | 0 | 0 | 0 | 0 | 196,812 |
| Restricted for Public Safety | 33,406 | 0 | 0 | 0 | 106,162 | 139,568 |
| Restricted for Public Health and Welfare | 29,011 | 0 | 0 | 0 | 0 | 29,011 |
| Restricted for Other Operations | 0 | 0 | 0 | 0 | 319,690 | 319,690 |
| Restricted for Capital Projects | 0 | 0 | 0 | 0 | 202,962 | 202,962 |
| Committed: | | | | | | |
| Committed for General Government | 48,202 | 0 | 0 | 0 | 0 | 48,202 |
| Committed for Public Safety | 695,208 | 0 | 0 | 0 | 0 | 695,208 |
| Committed for Public Health and Welfare | 0 | 547,284 | 0 | 0 | 864,319 | 1,411,603 |
| Committed for Social, Cultural, and Recreational Services | 59,289 | 0 | 0 | 0 | 0 | 59,289 |
| Committed for Highways/Public Works | 0 | 0 | 2,066,549 | 0 | 0 | 2,066,549 |
| Committed for Debt Service | 0 | 0 | 0 | 1,826,852 | 0 | 1,826,852 |
| Committed for Capital Projects | 0 | 0 | 0 | 0 | 1,156,413 | 1,156,413 |
| Committed OPEB | 475,251 | 127,056 | 107,503 | 0 | 162,418 | 872,228 |

(Continued)

Exhibit C-1

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

| | Major Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|---|
| FUND BALANCES (Cont.) | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| Committed (Cont.): | | | | | | |
| Committed for Other Purposes | $ 0 | $ 0 | $ 0 | $ 0 | $ 761,958 | $ 761,958 |
| Assigned: | | | | | | |
| Assigned for General Government | 129,057 | 0 | 0 | 0 | 0 | 129,057 |
| Assigned for Finance | 23,875 | 0 | 0 | 0 | 0 | 23,875 |
| Assigned for Administration of Justice | 5,067 | 0 | 0 | 0 | 0 | 5,067 |
| Assigned for Public Safety | 352,084 | 0 | 0 | 0 | 0 | 352,084 |
| Assigned for Public Health and Welfare | 4,274 | 0 | 0 | 0 | 0 | 4,274 |
| Assigned for Social, Cultural, and Recreational Services | 46,910 | 0 | 0 | 0 | 0 | 46,910 |
| Assigned for Agriculture and Natural Resources | 66 | 0 | 0 | 0 | 0 | 66 |
| Unassigned | 4,070,098 | 0 | 0 | 0 | 0 | 4,070,098 |
| Total Fund Balances | $ 6,201,345 | $ 674,340 | $ 2,186,438 | $ 1,826,852 | $ 3,586,393 | $ 14,475,368 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 13,890,059 | $ 2,198,840 | $ 3,166,318 | $ 3,410,060 | $ 5,931,213 | $ 28,596,490 |

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

Campbell 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) | | $ 14,475,368 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Add: land | $ 2,128,410 | |
| Add: construction in progress | 80,075 | |
| Add: infrastructure net of accumulated depreciation | 32,400,847 | |
| Add: buildings and improvements net of accumulated depreciation | 22,756,345 | |
| Add: other capital assets net of accumulated depreciation | 4,316,231 | 61,681,908 |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Less: notes payable | $ (687,397) | |
| Less: other loans payable | (1,875,142) | |
| Less: bonds payable | (37,520,000) | |
| Add: deferred amount on refunding | 83,940 | |
| Less: compensated absences payable | (431,240) | |
| Less: OPEB liability | (966,000) | |
| Less: accrued interest on bonds, notes, and other loans | (167,242) | |
| Less: unamortized premium on debt | (644,970) | (42,208,051) |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | 1,270,879 |
| (4) Amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions and OPEB will be amortized and recognized as components of pension expense in future years: | | |
| Add: deferred outflows of resources related to pensions | $ 994,342 | |
| Less: deferred inflows of resources related to pensions | (804,438) | |
| Add: deferred outflows of resources related to OPEB | 33,690 | |
| Less: deferred inflows of resources related to OPEB | (293,000) | (69,406) |
| (5) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds. | | 1,867,270 |
| Net position of governmental activities (Exhibit A) | | $ 37,017,968 |

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

Exhibit C-3

Campbell 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 | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| **Revenues** | | | | | | |
| Local Taxes | $ 8,848,532 | $ 749,792 | $ 898,096 | $ 2,456,175 | $ 2,961,604 | $ 15,914,199 |
| Licenses and Permits | 172,009 | 0 | 0 | 0 | 0 | 172,009 |
| Fines, Forfeitures, and Penalties | 246,317 | 0 | 0 | 0 | 24,260 | 270,577 |
| Charges for Current Services | 175,205 | 2,173,664 | 100 | 0 | 248,455 | 2,597,424 |
| Other Local Revenues | 108,077 | 6,388 | 362,157 | 157,039 | 214,110 | 847,771 |
| Fees Received From County Officials | 1,890,316 | 0 | 0 | 0 | 0 | 1,890,316 |
| State of Tennessee | 4,179,293 | 0 | 4,436,226 | 55,961 | 233,659 | 8,905,139 |
| Federal Government | 294,337 | 192,479 | 33,608 | 280,882 | 592,672 | 1,393,978 |
| Other Governments and Citizens Groups | 555,594 | 0 | 20,000 | 1,883,566 | 40,398 | 2,499,558 |
| Total Revenues | $ 16,469,680 | $ 3,122,323 | $ 5,750,187 | $ 4,833,623 | $ 4,315,158 | $ 34,490,971 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| General Government | $ 1,654,205 | $ 0 | $ 0 | $ 0 | $ 74,662 | $ 1,728,867 |
| Finance | 2,611,169 | 0 | 0 | 0 | 0 | 2,611,169 |
| Administration of Justice | 1,352,362 | 0 | 0 | 0 | 18,362 | 1,370,724 |
| Public Safety | 8,801,792 | 0 | 0 | 0 | 48,366 | 8,850,158 |
| Public Health and Welfare | 904,215 | 3,374,699 | 0 | 0 | 1,946,193 | 6,225,107 |
| Social, Cultural, and Recreational Services | 182,307 | 0 | 0 | 0 | 0 | 182,307 |
| Agriculture and Natural Resources | 50,033 | 0 | 0 | 0 | 0 | 50,033 |
| Other Operations | 494,474 | 10,867 | 0 | 0 | 181,818 | 687,159 |
| Highways | 23,729 | 0 | 5,273,473 | 0 | 0 | 5,297,202 |
| Debt Service: | | | | | | |
| Principal on Debt | 0 | 0 | 0 | 3,142,075 | 0 | 3,142,075 |
| Interest on Debt | 0 | 0 | 0 | 1,589,013 | 694 | 1,589,707 |
| Other Debt Service | 0 | 0 | 0 | 44,096 | 0 | 44,096 |

(Continued)

Exhibit C-3

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

| | Major Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|---|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| Expenditures (Cont.) | | | | | | |
| Capital Projects | $ 0 | $ 0 | $ 0 | $ 0 | $ 3,600,835 | $ 3,600,835 |
| Total Expenditures | $ 16,074,286 | $ 3,385,566 | $ 5,273,473 | $ 4,775,184 | $ 5,870,930 | $ 35,379,439 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 395,394 | $ (263,243) | $ 476,714 | $ 58,439 | $ (1,555,772) | $ (888,468) |
| Other Financing Sources (Uses) | | | | | | |
| Other Loans Issued | $ 0 | $ 0 | $ 0 | $ 0 | $ 1,482,128 | $ 1,482,128 |
| Insurance Recovery | 6,062 | 581 | 98,404 | 0 | 0 | 105,047 |
| Transfers In | 38,000 | 0 | 0 | 0 | 120,000 | 158,000 |
| Transfers Out | 0 | 0 | 0 | 0 | (158,000) | (158,000) |
| Total Other Financing Sources (Uses) | $ 44,062 | $ 581 | $ 98,404 | $ 0 | $ 1,444,128 | $ 1,587,175 |
| Net Change in Fund Balances | $ 439,456 | $ (262,662) | $ 575,118 | $ 58,439 | $ (111,644) | $ 698,707 |
| Fund Balance, July 1, 2018 | 5,761,889 | 937,002 | 1,611,320 | 1,768,413 | 3,698,037 | 13,776,661 |
| Fund Balance, June 30, 2019 | $ 6,201,345 | $ 674,340 | $ 2,186,438 | $ 1,826,852 | $ 3,586,393 | $ 14,475,368 |

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

Exhibit C-4

Campbell 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) | | $ 698,707 |
| (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 | $ 2,270,456 | |
| Less: current-year depreciation expense | (3,412,642) | (1,142,186) |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2019 | $ 1,270,879 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2018 | (1,876,160) | (605,281) |
| (3) The issuance of long-term debt (e.g., bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these difference in the treatment of long-term debt and related items: | | |
| Less: loan proceeds | $ (1,482,128) | |
| Add: change in unamortized premium on debt issuances | 212,017 | |
| Add: principal payments on bonds | 2,795,000 | |
| Add: principal payments on notes | 208,367 | |
| Add: principal payments on other loans | 138,708 | |
| Less: change in deferred amount of refunding debt | (72,369) | 1,799,595 |
| (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Change in accrued interest payable | $ 81,227 | |
| Change in compensated absences payable | 8,216 | |
| Change in net OPEB liability | 216,000 | |
| Change in net pension liability/asset | 517,574 | |
| Change in deferred outflows related to pensions | (130,904) | |
| Change in deferred inflows related to pensions | 259,011 | |
| Change in deferred outflows related to OPEB | (636) | |
| Change in deferred inflows related to OPEB | (293,000) | 657,488 |
| Change in net position of governmental activities (Exhibit B) | | $ 1,408,323 |

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

Exhibit C-5

Campbell 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 | $ 8,848,532 | $ 0 | $ 0 | $ 8,848,532 | $ 8,753,250 | $ 8,712,335 | $ 136,197 |
| Licenses and Permits | 172,009 | 0 | 0 | 172,009 | 175,207 | 175,207 | (3,198) |
| Fines, Forfeitures, and Penalties | 246,317 | 0 | 0 | 246,317 | 264,368 | 264,393 | (18,076) |
| Charges for Current Services | 175,205 | 0 | 0 | 175,205 | 102,820 | 177,336 | (2,131) |
| Other Local Revenues | 108,077 | 0 | 0 | 108,077 | 88,475 | 96,000 | 12,077 |
| Fees Received From County Officials | 1,890,316 | 0 | 0 | 1,890,316 | 1,874,065 | 1,891,480 | (1,164) |
| State of Tennessee | 4,179,293 | 0 | 0 | 4,179,293 | 4,055,240 | 4,302,310 | (123,017) |
| Federal Government | 294,337 | 0 | 0 | 294,337 | 5,667 | 396,478 | (102,141) |
| Other Governments and Citizens Groups | 555,594 | 0 | 0 | 555,594 | 564,389 | 600,622 | (45,028) |
| Total Revenues | $ 16,469,680 | $ 0 | $ 0 | $ 16,469,680 | $ 15,883,481 | $ 16,616,161 | $ (146,481) |
| Expenditures | | | | | | | |
| General Government | | | | | | | |
| County Commission | $ 280,745 | $ 0 | $ 7,520 | $ 288,265 | $ 330,098 | $ 370,411 | $ 82,146 |
| Board of Equalization | 4,700 | 0 | 0 | 4,700 | 4,110 | 4,700 | 0 |
| Other Boards and Committees | 0 | 0 | 0 | 0 | 2,000 | 2,000 | 2,000 |
| County Mayor/Executive | 296,472 | (1,879) | 1,553 | 296,146 | 301,107 | 310,297 | 14,151 |
| County Attorney | 54,477 | 0 | 0 | 54,477 | 55,234 | 55,234 | 757 |
| Election Commission | 391,460 | (24,682) | 303 | 367,081 | 377,322 | 380,342 | 13,261 |
| Register of Deeds | 274,002 | (5,359) | 2,245 | 270,888 | 287,401 | 282,001 | 11,113 |
| County Buildings | 338,225 | (5,684) | 7,229 | 339,770 | 393,681 | 389,681 | 49,911 |
| Preservation of Records | 14,124 | 0 | 0 | 14,124 | 16,152 | 16,152 | 2,028 |
| Finance | | | | | | | |
| Accounting and Budgeting | 825,598 | 0 | 1,382 | 826,980 | 900,053 | 900,053 | 73,073 |
| Central Services | 460,477 | (15,316) | 4,465 | 449,626 | 461,323 | 482,038 | 32,412 |
| Property Assessor's Office | 421,442 | (2,871) | 765 | 419,336 | 436,029 | 434,744 | 15,408 |
| Reappraisal Program | 58,797 | 0 | 150 | 58,947 | 30,604 | 61,364 | 2,417 |
| County Trustee's Office | 330,992 | (3,397) | 4,544 | 332,139 | 344,142 | 337,048 | 4,909 |
| County Clerk's Office | 513,863 | (6,337) | 12,569 | 520,095 | 546,979 | 539,979 | 19,884 |

(Continued)

Campbell 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 | $ 700,407 | $ (10,610) | $ 3,765 | $ 693,562 | $ 710,124 | $ 715,154 | $ 21,592 |
| General Sessions Court | 241,891 | (519) | 305 | 241,677 | 246,974 | 246,974 | 5,297 |
| Chancery Court | 344,922 | 0 | 997 | 345,919 | 348,344 | 348,419 | 2,500 |
| District Attorney General | 41,396 | 0 | 0 | 41,396 | 32,784 | 44,669 | 3,273 |
| Office of Public Defender | 23,146 | 0 | 0 | 23,146 | 24,588 | 33,502 | 10,356 |
| Other Administration of Justice | 600 | 0 | 0 | 600 | 600 | 600 | 0 |
| Public Safety | | | | | | | |
| Sheriff's Department | 2,452,207 | (116,529) | 195,203 | 2,530,881 | 2,220,567 | 2,558,352 | 27,471 |
| Special Patrols | 712,451 | (2,598) | 4,007 | 713,860 | 759,098 | 742,829 | 28,969 |
| Traffic Control | 44,392 | (2,425) | 79,155 | 121,122 | 204,336 | 204,586 | 83,464 |
| Administration of the Sexual Offender Registry | 5,533 | (315) | 0 | 5,218 | 5,100 | 8,700 | 3,482 |
| Jail | 4,579,685 | (171,747) | 23,751 | 4,431,689 | 4,597,176 | 4,483,570 | 51,881 |
| Juvenile Services | 36,155 | 0 | 0 | 36,155 | 38,217 | 38,217 | 2,062 |
| Commissary | 0 | 0 | 0 | 0 | 100 | 100 | 100 |
| Fire Prevention and Control | 154,929 | 0 | 0 | 154,929 | 161,045 | 154,935 | 6 |
| Civil Defense | 155,259 | (12,740) | 10,221 | 152,740 | 124,369 | 241,648 | 88,908 |
| Rescue Squad | 65,156 | 0 | 0 | 65,156 | 67,465 | 65,330 | 174 |
| Other Emergency Management | 188,456 | 0 | 0 | 188,456 | 188,456 | 188,456 | 0 |
| County Coroner/Medical Examiner | 106,640 | (10,618) | 7,609 | 103,631 | 99,334 | 107,234 | 3,603 |
| Other Public Safety | 300,929 | (1,493) | 32,138 | 331,574 | 287,131 | 938,242 | 606,668 |
| Public Health and Welfare | | | | | | | |
| Local Health Center | 62,266 | (7,726) | 3,514 | 58,054 | 83,299 | 96,442 | 38,388 |
| Rabies and Animal Control | 150,287 | 0 | 0 | 150,287 | 150,208 | 150,288 | 1 |
| Dental Health Program | 1,072 | 0 | 40 | 1,112 | 7,740 | 7,740 | 6,628 |
| Alcohol and Drug Programs | 8,162 | 0 | 0 | 8,162 | 9,232 | 9,232 | 1,070 |
| Crippled Children Services | 2,764 | 0 | 0 | 2,764 | 2,764 | 2,764 | 0 |
| Other Local Health Services | 576,011 | (715) | 320 | 575,616 | 757,400 | 779,700 | 204,084 |
| Appropriation to State | 23,457 | (182) | 0 | 23,275 | 24,500 | 24,500 | 1,225 |
| General Welfare Assistance | 2,200 | 0 | 400 | 2,600 | 9,400 | 9,400 | 6,800 |

(Continued)

Campbell 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.) | | | | | | | |
| Public Health and Welfare (Cont.) | | | | | | | |
| Sanitation Education/Information | $ 77,996 | $ 0 | $ 0 | $ 77,996 | $ 84,943 | $ 84,943 | $ 6,947 |
| Social, Cultural, and Recreational Services | | | | | | | |
| Senior Citizens Assistance | 49,392 | 0 | 0 | 49,392 | 52,110 | 50,975 | 1,583 |
| Libraries | 38,000 | 0 | 0 | 38,000 | 38,000 | 38,000 | 0 |
| Other Social, Cultural, and Recreational | 94,915 | (22,843) | 46,910 | 118,982 | 103,287 | 182,953 | 63,971 |
| Agriculture and Natural Resources | | | | | | | |
| Agricultural Extension Service | 50,033 | (79) | 66 | 50,020 | 52,395 | 53,666 | 3,646 |
| Other Operations | | | | | | | |
| Airport | 101,104 | (3,300) | 0 | 97,804 | 92,552 | 99,615 | 1,811 |
| Veterans' Services | 154,819 | (37) | 1,532 | 156,314 | 159,996 | 159,996 | 3,682 |
| Contributions to Other Agencies | 89,250 | 0 | 0 | 89,250 | 86,750 | 89,250 | 0 |
| Employee Benefits | 143,148 | 0 | 0 | 143,148 | 169,998 | 168,157 | 25,009 |
| Miscellaneous | 6,153 | 0 | 3,675 | 9,828 | 12,263 | 12,263 | 2,435 |
| Highways | | | | | | | |
| Employee Benefits | 23,729 | 0 | 0 | 23,729 | 0 | 23,729 | 0 |
| Total Expenditures | $ 16,074,286 | $ (430,001) | $ 456,333 | $ 16,100,618 | $ 16,498,880 | $ 17,731,174 | $ 1,630,556 |
| | | | | | | | |
| Excess (Deficiency) of Revenues Over Expenditures | $ 395,394 | $ 430,001 | $ (456,333) | $ 369,062 | $ (615,399) | $ (1,115,013) | $ 1,484,075 |
| | | | | | | | |
| Other Financing Sources (Uses) | | | | | | | |
| Insurance Recovery | $ 6,062 | $ 0 | $ 0 | $ 6,062 | $ 0 | $ 6,063 | $ (1) |
| Transfers In | 38,000 | 0 | 0 | 38,000 | 38,000 | 38,000 | 0 |
| Total Other Financing Sources | $ 44,062 | $ 0 | $ 0 | $ 44,062 | $ 38,000 | $ 44,063 | $ (1) |

(Continued)

Campbell 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) |
|---|---|---|---|---|---|---|---|
| Net Change in Fund Balance | $ 439,456 | $ 430,001 | $ (456,333) | $ 413,124 | $ (577,399) | $ (1,070,950) | $ 1,484,074 |
| Fund Balance, July 1, 2018 | 5,761,889 | (430,001) | 0 | 5,331,888 | 4,357,653 | 4,357,653 | 974,235 |
| Fund Balance, June 30, 2019 | $ 6,201,345 | $ 0 | $ (456,333) | $ 5,745,012 | $ 3,780,254 | $ 3,286,703 | $ 2,458,309 |

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

Campbell County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Ambulance Service 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 | $ 749,792 | $ 0 | $ 0 | $ 749,792 | $ 750,133 | $ 750,133 | $ (341) |
| Charges for Current Services | 2,173,664 | 0 | 0 | 2,173,664 | 2,138,210 | 2,138,210 | 35,454 |
| Other Local Revenues | 6,388 | 0 | 0 | 6,388 | 0 | 0 | 6,388 |
| Federal Government | 192,479 | 0 | 0 | 192,479 | 0 | 235,000 | (42,521) |
| Total Revenues | $ 3,122,323 | $ 0 | $ 0 | $ 3,122,323 | $ 2,888,343 | $ 3,123,343 | $ (1,020) |
| Expenditures | | | | | | | |
| Public Health and Welfare | | | | | | | |
| Ambulance/Emergency Medical Services | $ 3,374,699 | $ (270,045) | $ 19,846 | $ 3,124,500 | $ 2,866,873 | $ 3,313,373 | $ 188,873 |
| Other Operations | | | | | | | |
| Employee Benefits | 10,867 | 0 | 0 | 10,867 | 21,470 | 17,470 | 6,603 |
| Total Expenditures | $ 3,385,566 | $ (270,045) | $ 19,846 | $ 3,135,367 | $ 2,888,343 | $ 3,330,843 | $ 195,476 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (263,243) | $ 270,045 | $ (19,846) | $ (13,044) | $ 0 | $ (207,500) | $ 194,456 |
| Other Financing Sources (Uses) | | | | | | | |
| Insurance Recovery | $ 581 | $ 0 | $ 0 | $ 581 | $ 0 | $ 0 | $ 581 |
| Total Other Financing Sources | $ 581 | $ 0 | $ 0 | $ 581 | $ 0 | $ 0 | $ 581 |
| Net Change in Fund Balance | $ (262,662) | $ 270,045 | $ (19,846) | $ (12,463) | $ 0 | $ (207,500) | $ 195,037 |
| Fund Balance, July 1, 2018 | 937,002 | (270,045) | 0 | 666,957 | 521,336 | 521,336 | 145,621 |
| Fund Balance, June 30, 2019 | $ 674,340 | $ 0 | $ (19,846) | $ 654,494 | $ 521,336 | $ 313,836 | $ 340,658 |

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

Exhibit C-7

Campbell 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 | $ 898,096 | $ 0 | $ 0 | $ 898,096 | $ 887,160 | $ 887,160 | $ 10,936 |
| Licenses and Permits | 0 | 0 | 0 | 0 | 250 | 250 | (250) |
| Charges for Current Services | 100 | 0 | 0 | 100 | 440 | 440 | (340) |
| Other Local Revenues | 362,157 | 0 | 0 | 362,157 | 364,850 | 369,086 | (6,929) |
| State of Tennessee | 4,436,226 | 0 | 0 | 4,436,226 | 3,568,124 | 4,218,636 | 217,590 |
| Federal Government | 33,608 | 0 | 0 | 33,608 | 700,538 | 700,538 | (666,930) |
| Other Governments and Citizens Groups | 20,000 | 0 | 0 | 20,000 | 0 | 20,000 | 0 |
| Total Revenues | $ 5,750,187 | $ 0 | $ 0 | $ 5,750,187 | $ 5,521,362 | $ 6,196,110 | $ (445,923) |
| Expenditures | | | | | | | |
| Highways | | | | | | | |
| Administration | $ 218,887 | $ (689) | $ 375 | $ 218,573 | $ 225,794 | $ 223,799 | $ 5,226 |
| Highway and Bridge Maintenance | 2,110,519 | (180,622) | 49,332 | 1,979,229 | 2,033,702 | 2,008,830 | 29,601 |
| Operation and Maintenance of Equipment | 764,858 | (23,926) | 12,476 | 753,408 | 745,729 | 758,113 | 4,705 |
| Quarry Operations | 188,674 | (749) | 10,485 | 198,410 | 213,407 | 209,159 | 10,749 |
| Other Charges | 155,326 | (5,333) | 4,922 | 154,915 | 151,940 | 160,207 | 5,292 |
| Employee Benefits | 106,438 | (756) | 766 | 106,448 | 163,583 | 112,787 | 6,339 |
| Capital Outlay | 1,728,771 | (141,950) | 447,498 | 2,034,319 | 2,147,278 | 3,104,759 | 1,070,440 |
| Total Expenditures | $ 5,273,473 | $ (354,025) | $ 525,854 | $ 5,445,302 | $ 5,681,433 | $ 6,577,654 | $ 1,132,352 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 476,714 | $ 354,025 | $ (525,854) | $ 304,885 | $ (160,071) | $ (381,544) | $ 686,429 |
| Other Financing Sources (Uses) | | | | | | | |
| Insurance Recovery | $ 98,404 | $ 0 | $ 0 | $ 98,404 | $ 0 | $ 98,404 | $ 0 |
| Total Other Financing Sources | $ 98,404 | $ 0 | $ 0 | $ 98,404 | $ 0 | $ 98,404 | $ 0 |

(Continued)

Exhibit C-7

Campbell 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 | $ 575,118 | $ 354,025 | $ (525,854) | $ 403,289 | $ (160,071) | $ (283,140) | $ 686,429 |
| Fund Balance, July 1, 2018 | 1,611,320 | (354,025) | 0 | 1,257,295 | 1,593,506 | 1,593,506 | (336,211) |
| Fund Balance, June 30, 2019 | $ 2,186,438 | $ 0 | $ (525,854) | $ 1,660,584 | $ 1,433,435 | $ 1,310,366 | $ 350,218 |

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

Exhibit D

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

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash | $ 2,819,913 |
| Due from Other Governments | 698,295 |
| Accounts Receivable | 826 |
| Total Assets | $ 3,519,034 |
| **LIABILITIES** | |
| Due to Other Taxing Units | $ 698,295 |
| Due to Litigants, Heirs, and Others | 2,820,739 |
| Total Liabilities | $ 3,519,034 |

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

## CAMPBELL COUNTY, TENNESSEE
## Index of Notes to the Financial Statements

## CAMPBELL COUNTY, TENNESSEE
## NOTES TO THE FINANCIAL STATEMENTS
## For the Year Ended June 30, 2019

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Campbell 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 Campbell County:

### A. Reporting Entity

Campbell County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Campbell County (the primary government) and its component units. The financial statements of the Campbell County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of the 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 Campbell County School Department operates the public school system in the county, and the voters of Campbell 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 Campbell County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Campbell County, and the Campbell 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 Campbell County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Campbell 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 Campbell County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Campbell County Emergency Communications District
P.O. Box 344
1111 Jacksboro Pike
LaFollette, TN 37766

**Related Organization** – The Campbell County Industrial Development Board is a related organization of Campbell County. The county commission appoints the board members, but the county's accountability for the organization does not extend beyond making the 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. However, the primary government of Campbell County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Campbell 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.

Campbell County issues all debt for the discretely presented Campbell County School Department. Net debt issues totaling $1,481,434 were contributed by the county to the school department during the year ended June 30, 2019.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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 Campbell 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. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Campbell County has no proprietary funds to report.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Campbell 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.

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

Campbell 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.
>
> **Ambulance Service Fund** – This fund is used to account for the county's ambulance service operations. Fees for services are the foundational revenues of the fund.
>
> **Highway/Public Works Fund** – This special revenue fund accounts for transactions of the county's highway department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.
>
> **General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Campbell County reports the following fund types:

> **Capital Projects Funds –** These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
>
> **Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Campbell County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do,

however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Campbell County School Department reports the following major governmental fund:

**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.

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

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

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

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

### 1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; 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 Campbell 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. Campbell 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. 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 or that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance, property taxes, and solid waste receivables are shown with an allowance for uncollectibles. Ambulance and solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.86 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 as the face of the financial statements. 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 in the applicable funds.

**3. Inventories and Prepaid Items**

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

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. Restricted Assets**

Restricted assets consist of amounts held in a pension stabilization trust by the Tennessee Consolidated Retirement System (TCRS) for the benefit of the discretely presented Campbell County School Department's Teacher Retirement Plan. The purpose of this trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to 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 the Campbell County School Department to fund retirement benefits upon approval of the TCRS Board of Directors. To date, the Campbell County School Department has not withdrawn any funds from the trust to pay pension cost. Trust documents provide that the funds are not subject to the claims of general creditors of the 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 column 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

| Assets | Years |
|---|---|
| Buildings and Improvements | 7 - 40 |
| Other Capital Assets | 3 - 15 |
| Infrastructure: | |
| Roads | 20 - 50 |
| Bridges | 40 |

## 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 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 and OPEB changes in assumptions, pension and OPEB contributions after the measurement date, and pension and OPEB changes in proportion.

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 the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension and OPEB changes in experience, pension changes in investment earnings, pension other deferrals, OPEB changes in assumptions, and various other revenue accruals, which do not meet the availability criteria for governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 for any employee since neither Campbell County nor the school department has a policy to pay any amounts when these employees separate from service with the government, except upon retirement as discussed in Note V.I. Vacation pay for school and county employees is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

8. **Long-term Debt and Long-term Obligations**

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

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

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

### 9. <u>Net Position and Fund Balance</u>

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

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

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

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

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for Other Operations for the primary government consists of funds restricted for industrial development.

As of June 30, 2019, Campbell County had $27,401,289 in outstanding debt for capital purposes of other entities (schools - $27,026,389 and City of LaFollette $374,900). This debt is a liability of Campbell County, but the capital assets acquired are reported in the financial statements of the school department and the City of LaFollette. Therefore, Campbell County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

> Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
>
> Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
>
> Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the county commission, the county's highest level of decision-making authority and the Board of Education, the school department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.
>
> Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes but are neither restricted nor committed (excluding stabilization arrangements). The county commission makes assignments for the general government and the Board of Education makes assignments for the school department. Assigned fund balance in the General Fund represents amounts assigned for encumbrances ($456,333) and amounts appropriated for use in the 2019-2020 budget ($105,000). Assigned fund balance in the school department's General Purpose School Fund represents amounts assigned for encumbrances ($57,750) and amounts appropriated for use in the 2019-2020 budget ($526,745).

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.

## 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 Campbell County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Campbell County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

### Discretely Presented Campbell 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 Campbell County. For this purpose, Campbell County recognizes benefit payments when due and payable in accordance with benefit terms. Campbell County's OPEB plan is not administered through a trust.

**Discretely Presented Campbell 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 Campbell 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 Campbell County School Department**

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

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

**Primary Government**

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

**Discretely Presented Campbell County School Department**

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

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the Other Capital Projects Fund, which adopts 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, County Attorney, etc.). Management may make revisions within major categories, but only the county commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

At June 30, 2019, Campbell County and the Campbell County School Department reported encumbrances in the following budgeted funds:

| Fund | Amount |
|---|---|
| Primary Government | |
| General | $ 456,333 |
| Ambulance Service | 19,846 |
| Highway/Public Works | 525,854 |
| Nonmajor governmental | 132,602 |
| | |
| Discretely Presented School Department: | |
| General Purpose School | 170,302 |
| Nonmajor governmental | 177,571 |

### B. Pending Investigation

Certain operations of the Office of County Clerk are currently being reviewed by the Comptroller's Division of Investigations. Findings, if any, resulting from the review will be included in a subsequent report.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

Campbell County and the Campbell 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. 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. Investments in the State Treasurer's Investment Pool are reported both by the pool and the county at amortized cost using a stable net asset value. 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.

Other than the pension stabilization trust discussed below, the county had no pooled and nonpooled investments as of June 30, 2019.

**TCRS Stabilization Trust**

**Legal Provisions**. The Campbell County School Department is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The school department has placed funds into the irrevocable trust 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 school department.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Campbell 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 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 Campbell County School Department 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 | $ 22,151 |
| Developed Market International Equity | N/A | N/A | 10,004 |
| Emerging Market International Equity | N/A | N/A | 2,858 |
| U.S. Fixed Income | N/A | N/A | 14,291 |
| Real Estate | N/A | N/A | 7,145 |
| Short-term Securities | N/A | N/A | 715 |
| Investments at Amortized Cost using the NAV: | | | |
| Private Equity and Strategic Lending | N/A | N/A | 14,291 |
| Total | | | $ 71,455 |

| | | Fair Value Measurements Using | | | Amortized Cost |
|---|---|---|---|---|---|
| Investment by Fair Value Level | Fair Value 6-30-19 | 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 | $ 22,151 | $ 22,151 | 0 | $ 0 | $ 0 |
| Developed Market International Equity | 10,004 | 10,004 | 0 | 0 | 0 |
| Emerging Market International Equity | 2,858 | 2,858 | 0 | 0 | 0 |
| U.S. Fixed Income | 14,291 | 0 | 14,291 | 0 | 0 |
| Real Estate | 7,145 | 0 | 0 | 7,145 | 0 |
| Short-term Securities | 715 | 0 | 715 | 0 | 0 |
| Private Equity and Strategic Lending | 14,291 | 0 | 0 | 0 | 14,291 |
| Total | $ 71,455 | $ 35,013 | $ 15,006 | $ 7,145 | $ 14,291 |

**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 Campbell 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 Campbell 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. Campbell 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 Campbell 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 | $ | 2,128,410 | $ | 0 | $ | 0 | $ | 2,128,410 |
| Construction in Progress | | 1,368,291 | | 80,075 | | (1,368,291) | | 80,075 |
| Total Capital Assets Not Depreciated | $ | 3,496,701 | $ | 80,075 | $ | (1,368,291) | $ | 2,208,485 |
| Capital Assets Depreciated: | | | | | | | | |
| Buildings and Improvements | $ | 29,219,003 | $ | 1,439,700 | $ | 0 | $ | 30,658,703 |
| Roads and Bridges | | 80,366,822 | | 0 | | 0 | | 80,366,822 |
| Other Capital Assets | | 9,540,726 | | 2,118,972 | | (191,780) | | 11,467,918 |
| Total Capital Assets Depreciated | $ | 119,126,551 | $ | 3,558,672 | $ | (191,780) | $ | 122,493,443 |
| Less Accumulated Depreciated For: | | | | | | | | |
| Buildings and Improvements | $ | 7,010,536 | $ | 891,822 | $ | 0 | $ | 7,902,358 |
| Roads and Bridges | | 45,956,804 | | 2,009,171 | | 0 | | 47,965,975 |
| Other Capital Assets | | 6,831,818 | | 511,649 | | (191,780) | | 7,151,687 |
| Total Accumulated Depreciation | $ | 59,799,158 | $ | 3,412,642 | $ | (191,780) | $ | 63,020,020 |
| Total Capital Assets Depreciated, Net | $ | 59,327,393 | $ | 146,030 | $ | 0 | $ | 59,473,423 |
| Governmental Activities Capital Assets, Net | $ | 62,824,094 | $ | 226,105 | $ | (1,368,291) | $ | 61,681,908 |

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

**Governmental Activities:**

| | |
|---|---|
| General Government | $ 386,865 |
| Finance | 30,930 |
| Administration of Justice | 3,343 |
| Public Safety | 534,511 |
| Public Health and Welfare | 289,083 |
| Social, Cultural, and Recreational Services | 3,833 |
| Highways/Public Works | 2,164,077 |
| Total Depreciation Expense - Governmental Activities | $ 3,412,642 |

## Discretely Presented Campbell County School Department

**Governmental Activities:**

| | Balance 7-1-18 | Increases | Decreases | Balance 6-30-19 |
|---|---|---|---|---|
| Capital Assets Not Depreciated: | | | | |
| Land | $ 1,284,425 | $ 0 | $ 0 | $ 1,284,425 |
| Construction in Progress | 2,878 | 241,977 | 0 | 244,855 |
| Total Capital Assets Not Depreciated | $ 1,287,303 | $ 241,977 | $ 0 | $ 1,529,280 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | $ 83,750,782 | $ 1,611,278 | $ 0 | $ 85,362,060 |
| Other Capital Assets | 5,106,782 | 198,140 | (37,749) | 5,267,173 |
| Total Capital Assets Depreciated | $ 88,857,564 | $ 1,809,418 | $ (37,749) | $ 90,629,233 |
| Less Accumulated Depreciated For: | | | | |
| Buildings and Improvements | $ 39,918,644 | $ 2,244,637 | $ 0 | $ 42,163,281 |
| Other Capital Assets | 3,782,977 | 276,182 | (37,749) | 4,021,410 |
| Total Accumulated Depreciation | $ 43,701,621 | $ 2,520,819 | $ (37,749) | $ 46,184,691 |
| Total Capital Assets Depreciated, Net | $ 45,155,943 | $ (711,401) | $ 0 | $ 44,444,542 |
| Governmental Activities Capital Assets, Net | $ 46,443,246 | $ (469,424) | $ 0 | $ 45,973,822 |

Depreciation expense was charged to functions of the discretely presented Campbell County School Department as follows:

**Governmental Activities:**

| | |
|---|---|
| Instruction | $ 16,214 |
| Support Services | 2,424,222 |
| Operation of Non-instructional Services | 80,383 |
| Total Depreciation Expense - Governmental Activities | $ 2,520,819 |

### C. Construction Commitments

At June 30, 2019, the highway department had an uncompleted construction contract of approximately $205,631 for the construction of a bridge. Funding for these future expenditures is expected to be received from a state grant.

### 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 | $ 5,220 |
| " | Ambulance Service | 501 |
| Highway/Public Works | General | 3,302 |
| Nonmajor governmental | " | 1,431 |
| " | Ambulance Service | 18 |
| Discretely Presented School Department: | | |
| General Purpose School | Nonmajor governmental | 1,132 |

These 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 Units:**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| | Component Unit: | |
| Primary Government: | School Department: | |
| General | General Purpose School | $ 36,487 |
| Component Unit: | | |
| School Department: | Primary Government: | |
| General Purpose School | Highway/Public Works | 4 |
| " | General Debt Service | 90 |

**Interfund Transfers:**

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

**Primary Government**

| | Transfers In | |
|---|---|---|
| Transfers Out | General Fund | Nonmajor Governmental Fund |
| Nonmajor governmental funds | 38,000 | 120,000 |
| Total | $ 38,000 | $ 120,000 |

Transfers to the General Fund from the nonmajor governmental funds for $38,000 is for indirect costs in the Solid Waste/Sanitation Fund. Transfers within the nonmajor governmental funds ($120,000) were to provide funding for capital programs.

**Discretely Presented Campbell County School Department**

| | Transfers In | |
|---|---|---|
| Transfers Out | General Purpose School Fund | Nonmajor Governmental Funds |
| General Purpose School Fund | $ 0 | $ 129,995 |
| Nonmajor governmental funds | 1,132 | 0 |
| Total | $ 1,132 | $ 129,995 |

Transfers from the General Purpose School Fund to the nonmajor governmental funds represents funding for food service salary increases.

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.

## E. Long-term Debt

### Primary Government

General Obligation Bonds, Notes, and Other Loans

General Obligation Bonds - Campbell 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 21 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 - Campbell 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. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment. Capital outlay notes, and other loans are direct obligations and pledge the full faith, credit, and taxing authority of the government. Capital outlay notes, and other loans outstanding were issued for original terms of up to 12 years for notes and up to 14 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes, and other loans included in long-term debt as of June 30, 2019, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, 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 | 1 to 5.8 % | 6-1-32 | $ 23,455,000 | $ 21,060,000 |
| General Obligation Bonds - Refunding | 2 to 3 | 6-1-26 | 16,980,000 | 16,460,000 |
| Direct Borrowing and Direct Placement: | | | | |
| Capital Outlay Notes | 1.82 to 4.23 | 6-29-28 | 1,300,000 | 687,397 |
| Other Loans - Fixed Rate | 0 to 1 | 6-1-32 | 2,869,216 | 1,875,142 |

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2019, including interest payments, are presented in the following tables:

| Year Ending | Bonds | | |
|---|---|---|---|
| June 30 | Principal | Interest | Total |
| 2020 | $ 2,865,000 | $ 1,503,223 | $ 4,368,223 |
| 2021 | 2,945,000 | 1,420,234 | 4,365,234 |
| 2022 | 3,005,000 | 1,334,355 | 4,339,355 |
| 2023 | 3,100,000 | 1,245,921 | 4,345,921 |
| 2024 | 3,135,000 | 1,155,159 | 4,290,159 |
| 2025-2029 | 15,880,000 | 4,141,082 | 20,021,082 |
| 2030-2032 | 6,590,000 | 535,148 | 7,125,148 |
| Total | $ 37,520,000 | $ 11,335,122 | $ 48,855,122 |

| Year Ending | Notes - Direct Placement | | |
|---|---|---|---|
| June 30 | Principal | Interest | Total |
| 2020 | $ 183,367 | $ 13,801 | $ 197,168 |
| 2021 | 212,531 | 9,134 | 221,665 |
| 2022 | 41,700 | 5,787 | 47,487 |
| 2023 | 41,700 | 4,929 | 46,629 |
| 2024 | 41,700 | 4,070 | 45,770 |
| 2025-2028 | 166,399 | 7,698 | 174,097 |
| Total | $ 687,397 | $ 45,419 | $ 732,816 |

| Year Ending June 30 | Other Loans - Direct Placement Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 255,528 | $ 14,292 | $ 269,820 |
| 2021 | 256,704 | 13,116 | 269,820 |
| 2022 | 234,782 | 11,928 | 246,710 |
| 2023 | 120,384 | 10,728 | 131,112 |
| 2024 | 121,596 | 9,516 | 131,112 |
| 2025-2029 | 626,532 | 29,028 | 655,560 |
| 2030-2032 | 259,616 | 2,715 | 262,331 |
| Total | $ 1,875,142 | $ 91,323 | $ 1,966,465 |

There is $1,826,852 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $922, based on the 2010 federal census. Total debt per capita, including bonds, notes, other loans, and unamortized debt premiums, totaled $1,000, 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:

| | Bonds | Notes - Direct Placement | Other Loans - Direct Placement |
|---|---|---|---|
| Balance, July 1, 2018 | $ 40,315,000 | $ 895,764 | $ 531,722 |
| Additions | 0 | 0 | 1,482,128 |
| Reductions | (2,795,000) | (208,367) | (138,708) |
| Balance, June 30, 2019 | $ 37,520,000 | $ 687,397 | $ 1,875,142 |
| Balance Due Within One Year | $ 2,865,000 | $ 183,367 | $ 255,528 |

Analysis of Noncurrent Liabilities for Debt Presented on Exhibit A:

| | |
|---|---|
| Total Noncurrent Liabilities - Debt, June 30, 2019 | $ 40,082,539 |
| Less: Balance Due Within One Year - Debt | (3,303,895) |
| Add: Unamortized Premium on Debt | 644,970 |
| Noncurrent Liabilities - Due in More Than One Year - Debt - Exhibit A | $ 37,423,614 |

**F.** **Long-term Obligations**

Changes in Long-term Obligations

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

| | Compensated Absences | Other Postemployment Benefits |
|---|---|---|
| Balance, July 1, 2018 | $ 439,456 | $ 1,182,000 |
| Additions | 420,765 | 33,690 |
| Reductions | (428,981) | (249,690) |
| Balance, June 30, 2019 | $ 431,240 | $ 966,000 |
| Balance Due Within One Year | $ 392,428 | $ 0 |

Analysis of Other Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---|
| Total Noncurrent Liabilities, June 30, 2019 | $ 1,397,240 |
| Less: Balance Due Within One Year - Other | (392,428) |
| Noncurrent Liabilities - Due in More Than One Year - Other - Exhibit A | $ 1,004,812 |

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

**Discretely Presented Campbell County School Department**

Changes in Long-term Obligations

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

Governmental Activities:

| | | Compensated Absences | | Other Postemployment Benefits |
|---|---|---|---|---|
| Balance, July 1, 2018 | $ | 0 | $ | 9,172,408 |
| Additions | | 247,866 | | 528,192 |
| Reductions | | (133,851) | | (1,936,107) |
| Balance, June 30, 2019 | $ | 114,015 | $ | 7,764,493 |
| Balance Due Within One Year | $ | 108,314 | $ | 0 |

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

| | | |
|---|---|---|
| Total Noncurrent Liabilities, June 30, 2019 | $ | 7,878,508 |
| Less: Balance Due Within One Year - Other | | (108,314) |
| Noncurrent Liabilities - Due in More Than One Year - Other - Exhibit A | $ | 7,770,194 |

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

**G. <u>Other Commitments</u>**

During the year, the school department paid $1,883,566 to the primary government's General Debt Service Fund to be applied toward the retirement of school related debt. By resolution, the Campbell County Board of Education has committed future contributions of $1,250,000 per fiscal year to the primary government's General Debt Service Fund through the year ending June 30, 2026, to provide funds for the retirement of current and future debt issued for school purposes. Also by resolution, the Campbell County Board of Education has committed an amount equal to the annual debt service requirements of the outstanding Energy Efficient Incentive School Loans. The annual requirements range from $269,820 in the fiscal year ending June 30, 2020, to $11,033 in fiscal year ending June 30, 2032.

**H. <u>On-Behalf Payments – Discretely Presented Campbell County School Department</u>**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Campbell 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

$243,130. The school department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

## V. OTHER INFORMATION

### A. Risk Management

#### Primary Government

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding $100,000 for each insured event.

The county also continues to carry commercial health and accident insurance for its employees. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Discretely Presented Campbell County School Department

For its certified teachers, the 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, *Tennessee Code Annotated* (*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.

The school department continues to carry commercial health and accident insurance for its noncertified employees. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

The school department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. 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 Tort Liability Act to provide governmental insurance coverage. The school department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

## B. <u>Accounting Changes</u>

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, Campbell 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.

## C. <u>Contingent Liabilities</u>

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

## D. <u>Changes in Administration</u>

On August 31, 2018, Dormas Miller left the Office of Register of Deeds and was succeeded by June Turner.

## E. Joint Ventures

The Campbell County Library Board is a joint venture in which the county participates with the cities of LaFollette, Jacksboro, Caryville, and Jellico to operate the library system within the county. Representatives from the four cities and the county comprise the Campbell County Library Board and have equal representation on the board. Campbell County contributed $38,000 to the operation of the Library Board during the year ended June 30, 2019.

The Eighth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Eighth Judicial District: Scott, Campbell, Fentress, Claiborne, and Union counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by the board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Campbell County made a $25,000 contribution to the DTF for the year ended June 30, 2019.

Campbell County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Campbell County Library Board and the Eighth Judicial DTF can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Campbell County Library Board
P.O. Box 75
Jacksboro, TN 37757

Office of District Attorney General
Eighth Judicial District Drug Task Force
P.O. Box 10
Huntsville, TN 37756

## F. Jointly Governed Organization

The Northeast Tennessee Railroad Authority was incorporated in June 2005 as a public authority created by the Tennessee State Legislature. The purpose of the rail authority is to preserve and enhance the railroad system serving Anderson, Campbell, and Scott counties in Tennessee, to secure economic benefits for these counties. The rail authority is governed by a board of directors, which includes the mayor for each of the three counties served by the rail authority. Campbell County did not contribute to the operations of the Northeast Tennessee Railroad Authority for the year ended June 30, 2019.

Complete financial statements for the rail authority can be obtained from its administrative office at P.O. Box 180, Huntsville, TN 37756.

## G. Retirement Commitments

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

**Primary Government**

**General Information About the Pension Plan**

*Plan Description.* Employees of Campbell County and non-certified employees of the discretely presented Campbell County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 69.53 percent, the non-certified employees of the discretely presented school department comprise 30.47 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/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. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

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

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

| | |
|---|---|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 318 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 525 |
| Active Employees | 481 |
| Total | 1,324 |

*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. Campbell County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, the employer contribution for Campbell County was $787,641 based on a rate of 5.68 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Campbell 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)**

Campbell 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 Campbell 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 | $ 42,127,801 | $ 44,074,010 | $ (1,946,209) |
| Changes for the Year: | | | |
| Service Cost | $ 1,200,536 | $ 0 | $ 1,200,536 |
| Interest | 3,064,678 | 0 | 3,064,678 |
| Differences Between Expected and Actual Experience | 22,056 | 0 | 22,056 |
| Changes in Assumptions | 0 | 0 | 0 |
| Contributions-Employer | 0 | 767,011 | (767,011) |
| Contributions-Employees | 0 | 676,442 | (676,442) |
| Net Investment Income | 0 | 3,628,690 | (3,628,690) |
| Benefit Payments, Including Refunds of Employee Contributions | (2,113,827) | (2,113,827) | 0 |
| Administrative Expense | 0 | (45,487) | 45,487 |
| Other Changes | 0 | (35) | 35 |
| Net Changes | $ 2,173,443 | $ 2,912,794 | $ (739,351) |
| Balance, June 30, 2018 | $ 44,301,244 | $ 46,986,804 | $ (2,685,560) |

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

| | | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|---|---|---|---|
| Primary Government | 69.53% | $ 30,802,655 | $ 32,669,925 | $ (1,867,270) |
| School Department | 30.47% | 13,498,589 | 14,316,879 | (818,290) |
| Total | | $ 44,301,244 | $ 46,986,804 | $ (2,685,560) |

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Campbell 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 | $ 2,930,908 | $ (2,685,560) | $ (7,331,921) |

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

*Pension Expense or Negative Pension Expense.* For the year ended June 30, 2019, Campbell County recognized (negative) pension expense of ($153,571).

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2019, Campbell 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 | $ 17,645 | $ 976,558 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 180,407 |
| Changes in Assumptions | 638,704 | 0 |
| Contributions Subsequent to the Measurement Date of June 30, 2018 (1) | 787,641 | N/A |
| Total | $ 1,443,990 | $ 1,156,965 |

(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 | $ 994,342 | $ 804,438 |
| School Department | 449,648 | 352,527 |
| Total | $ 1,443,990 | $ 1,156,965 |

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 | $ 166,227 |
| 2021 | (174,660) |
| 2022 | (404,738) |
| 2023 | (87,444) |
| 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, Campbell County reported a payable of $128,534 for the outstanding amount of contributions due to the pension plan at year end.

**<u>Discretely Presented Campbell County School Department</u>**

**<u>Non-certified Employees</u>**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Campbell County and non-certified employees of the discretely presented Campbell County School Department are provided a defined benefit pension plan through the Public Employee Retirement

Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 69.53 percent and the non-certified employees of the discretely presented school department comprise 30.47 percent of the plan based on contribution data.

**Certified Employees**

**Teacher Retirement Plan**

**General Information About the Pension Plan**

*Plan Description.* Teachers of the Campbell 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 $68,901, which is 1.94 percent of covered payroll. In addition, employer contributions of $71,455 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 ($136,201) 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 .300315 percent. The proportion as of June 30, 2017, was .345621 percent.

*Pension Expense.* For the year ended June 30, 2019, the school department recognized pension expense of $46,978.

*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 | $ 7,714 | $ 5,425 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 7,694 |
| Changes in Assumptions | 6,426 | 0 |
| Changes in Proportion of Net Pension Liability (Asset) | 11,186 | 5,523 |
| LEA's Contributions Subsequent to the Measurement Date of June 30, 2018 (1) | 68,901 | N/A |
| Total | $ 94,227 | $ 18,642 |

The school department's employer contributions of $68,901, 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 | $ (533) |
| 2021 | (777) |
| 2022 | (1,873) |
| 2023 | 137 |
| 2024 | 1,162 |
| Thereafter | 8,568 |

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 | $ 21,057 | $ (136,201) | $ (252,064) |

*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 Campbell County School Department reported a payable of $6,988 for the outstanding amount of contributions due to the pension plan at year end.

**<u>Teacher Legacy Pension Plan</u>**

**General Information About the Pension Plan**

*Plan Description.* Teachers of the Campbell 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 Campbell County School Department for the year ended June 30, 2019, to the Teacher Legacy Pension Plan were $1,859,943, 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 ($1,859,796) 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 .528514 percent. The proportion measured at June 30, 2017, was .519008 percent.

*Pension Expense.* For the year ended June 30, 2019, the school department recognized negative pension expense of $489,220.

*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 | $ 375,928 | $ 2,509,012 |
| Changes in Assumptions | 1,098,404 | 0 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 404,769 |
| Changes in Proportion of Net Pension Liability (Asset) | 203,095 | 75,840 |
| LEA's Contributions Subsequent to the Measurement Date of June 30, 2018 | 1,859,943 | N/A |
| Total | $ 3,537,370 | $ 2,989,621 |

The school department's employer contributions of $1,859,943 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 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 | $ 426,540 |
| 2021 | (550,776) |
| 2022 | (1,022,499) |
| 2023 | (165,459) |
| 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:

| 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|---|---|---|
| $ 14,336,477 | $ (1,859,796) | $ (15,259,955) |

*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 Campbell County School Department reported a payable of $188,631 for the outstanding amount of contributions due to the pension plan at year end.

**2. Deferred Compensation**

Teachers hired after July 1, 2014, by the school department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the school department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year the school department contributed $176,311 and teachers contributed $57,736 to this deferred compensation pension plan.

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

Retirees of Campbell County and non-certified retirees of the discretely presented Campbell County School Department may participate in a commercial postemployment benefits plan. The Campbell County School Department also provides postemployment medical benefits to certified retirees through a public entity risk pool administered by the state of Tennessee. For accounting purposes, the plans are single-employer defined benefit OPEB plans.

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. The county has committed $475,251 in the General Fund, $127,056 in the Ambulance Service Fund, $107,503 in the Highway/Public Works Fund, and $162,418 in the nonmajor governmental funds to be used for funding a portion of the primary government's OPEB liability. The school department has committed $456,075 in the General Purpose School Fund and $90,331 in the nonmajor governmental funds for funding a portion of the it's OPEB liability. These funds do not qualify as OPEB plan assets and therefore are not reported as such in the financial statements of this report.

**OPEB Provided through Commercial Plan – Primary Government and Discretely Presented School Department**

*Plan Description.* The commercial plan is administered through Blue Cross Blue Shield and provides healthcare and life insurance benefits for eligible retirees of the primary government and eligible retired non-certified employees of the discretely presented school department. Benefits are established and may be amended by an insurance committee established by the county commission.

*Benefits Provided.* Eligible employees must attain age 55 and obtain either ten years of service and covered for three years in the county's insurance plan prior to retirement, twenty years of service and covered for one year in the county's insurance plan prior to retirement, or any age and have 30 years of service and covered for one year in the county's insurance plan prior to retirement. Benefits cease when the retiree becomes Medicare eligible. Spouse benefits are provided while the retiree is eligible for coverage. Surviving spouse benefits are not provided. The county and school department pay from 60 percent to 75 percent of health insurance premiums based on years of service. Retirees pay 100 percent of spousal coverage.

Life insurance benefits are also provided for eligible retirees at the retiree's expense. Employees must have five years of service and be covered by the active plan at retirement in order to participate in the life insurance benefits of the plan. Benefits reduce to 50 percent at age 70 and to $5,000 at age 75. A retiree's spouse may be covered as a dependent at the employee's retirement. Spouse benefits reduce to 50 percent when the retiree attains age 70.

Employees Covered by Benefit Terms

As of July 1, 2018, the following employees were covered by the benefit terms:

| | Primary Government | School Department | Total |
|---|---|---|---|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 6 | 8 | 14 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 0 | 0 | 0 |
| Active Employees | 196 | 158 | 354 |
| Total | 202 | 166 | 368 |

**Total OPEB Liability**

The total OPEB liability for the county ($966,000) and the school department ($1,066,000) was determined based on a valuation date of July 1, 2018, and a measurement date of July 1, 2018.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the actuarial valuation 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 |
| Salary Scale | 2.50% |
| Discount Rate | 3.62% |
| Healthcare Cost Trend Rates | 7.5% for FY19; decreasing .5% per year to an ultimate rate of 5%. |
| Retirees Share of Benefit-related Cost | See discussion under Benefits Provided |

The discount rate was based on the Municipal 20-year GO AA yield curve rate as of June 29, 2018.

The mortality rates are from the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

The actuarial assumptions used in the valuation were based on plan data and costs presented by the county with concurrence by the actuary.

Changes in the Total OPEB Liability

| | Primary Government | School Department | Total OPEB Liability |
|---|---|---|---|
| Balance July 1, 2017 | $ 1,182,000 | $ 1,142,000 | $ 2,324,000 |
| Changes for the Year: | | | |
| Service Cost | $ 117,000 | $ 84,000 | $ 201,000 |
| Interest | 46,000 | 43,000 | 89,000 |
| Changes in Benefit Terms | 0 | 0 | 0 |
| Difference between Expected and Actual Experience | (339,000) | (151,000) | (490,000) |
| Changes in Assumption and Other Inputs | (6,000) | 0 | (6,000) |
| Benefit Payments | (34,000) | (48,000) | (82,000) |
| Other Changes | 0 | (4,000) | (4,000) |
| Net Changes | $ (216,000) | $ (76,000) | $ (292,000) |
| Balance June 30, 2018 | $ 966,000 | $ 1,066,000 | $ 2,032,000 |

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2019, the primary government recognized OPEB expense of $114,000 and the school department recognized OPEB expense of $95,000. At June 30, 2019, the county and school department 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 | $ 288,000 |
| Changes of Assumptions/Inputs | 0 | 5,000 |
| Net Difference Between Projected and Actual Investments | 0 | 0 |
| Benefit Payments after the Measurement Date | 33,690 | 0 |
| Total | $ 33,690 | $ 293,000 |

Discretely Presented School Department:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference Between Expected and Actual Experience | $ 0 | $ 117,000 |
| Changes of Assumptions/Inputs | 0 | 3,000 |
| Net Difference Between Projected and Actual Investments | 0 | 0 |
| Benefit Payments after the Measurement Date | 32,925 | 0 |
| Total | $ 32,925 | $ 120,000 |

Amounts reported as deferred outflows for benefit payments after the measurement date will be recognized as a decrease to the OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources or deferred inflows of resources will be recognized in OPEB expense as follows:

| Year Ending June 30 | Primary Government | School Department | Total |
|---|---|---|---|
| 2020 | $ (52,000) | $ (35,000) | $ (87,000) |
| 2021 | (52,000) | (35,000) | (87,000) |
| 2022 | (52,000) | (35,000) | (87,000) |
| 2023 | (52,000) | (15,000) | (67,000) |
| 2024 | (52,000) | 0 | (52,000) |
| Thereafter | (33,000) | 0 | (33,000) |

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the county and school department 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 Rate 3.62% | 1% Increase 4.62% |
|---|---|---|---|
| Primary Government | $ 1,043,000 | $ 966,000 | $ 895,000 |
| School Department | 1,122,000 | 1,066,000 | 1,011,000 |
| Total OPEB Liability | $ 2,165,000 | $ 2,032,000 | $ 1,906,000 |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate.* The following presents the total OPEB liability of the county and school department 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 (6.5% decreasing to 4%) | Current Trend Rate (7.5% decreasing to 5%) | 1% Increase (8.5% decreasing to 6%) |
|---|---|---|---|
| Primary Government | $ 860,000 | $ 966,000 | $ 1,092,000 |
| School Department | 983,000 | 1,066,000 | 1,158,000 |
| Total OPEB Liability | $ 1,843,000 | $ 2,032,000 | $ 2,250,000 |

**OPEB Provided through Public Entity Risk Pool - Discretely Presented Campbell County School Department – Closed LEP Plan**

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

The school department's total OPEB liability 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 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, 2018 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 decreasing 32 years to a trend rate of 3.53% with .32% added to approximate the effect of the excise tax |
| Retirees Share of Benefit Related Cost | Discussed under Benefits Provided |

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.

*Plan Description.* Employees of the Campbell 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 Campbell 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. Campbell County School Department provides a direct subsidy toward retirees insurance premiums for those retirees with 20 or more years of service. That subsidy ranges from $245 to $489 per month based on years of service and coverage selected. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees premiums based on years of service. 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:

| | |
|---|---|
| Beneficiaries Currently Receiving Benefits | 70 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 1 |
| Active Employees - Eligible for Future Benefits | 363 |
| Active Employees - Not Eligible for Future Benefits | 31 |
| Total | 465 |

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 $495,267 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

| | Share of Collective Liability | | |
|---|---|---|---|
| | Campbell County School Department 71.0027% | State of TN 28.9973% | Total OPEB Liability |
| Balance July 1, 2017 | $ 8,030,408 | $ 3,398,695 | $ 11,429,103 |
| Changes for the Year: | | | |
| Service Cost | $ 337,804 | $ 137,958 | $ 475,762 |
| Interest | 291,080 | 118,876 | 409,956 |
| Changes in Benefit Terms | 2,038 | 833 | 2,871 |
| Difference between Expected and Actuarial Experience | (1,636,693) | (668,421) | (2,305,114) |
| Changes in Proportionate Share | 84,563 | (84,563) | 0 |
| Changes in Assumption and Other Inputs | 142,042 | 58,009 | 200,051 |
| Benefit Payments | (552,749) | (225,741) | (778,490) |
| Net Changes | $ (1,331,915) | $ (663,049) | $ (1,994,964) |
| Balance June 30, 2018 | $ 6,698,493 | $ 2,735,646 | $ 9,434,139 |

The Campbell 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 Campbell County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employer’s long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The school department recognized $173,071 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for school department retirees.

During the year, the Campbell County School Department’s proportionate share of the collective OPEB liability was 71.0027% and the State of Tennessee’s share was 28.9973%.

*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 $616,594, 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 | $ 1,466,204 |
| Changes of Assumptions/Inputs | 127,245 | 265,762 |
| 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 | 49,237 | 0 |
| Benefits Paid After the Measurement Date of June 30, 2018 | 495,267 | 0 |
| Total | $ 671,749 | $ 1,731,966 |

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 | $ (187,399) |
| 2021 | (187,399) |
| 2022 | (187,399) |
| 2023 | (187,399) |
| 2024 | (187,399) |
| Thereafter | (618,490) |

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 | $ 7,139,657 | $ 6,698,493 | $ 6,279,712 |

Negative amounts will decrease OPEB expense.

*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 | $ 6,047,612 | $ 6,698,493 | $ 7,464,488 |

## I. **Termination Benefits**

The discretely presented Campbell County School Department offers a voluntary termination incentive bonus program to its certified employees in accordance with contract provisions. To be eligible, employees must retire with at least 20 years' experience with the State of Tennessee and be at least 65 years of age. Under the terms of the program, employees will receive a one-time lump sum retirement incentive bonus in the amount of $12,500. During the 2018-19 year, no employees participated in the program.

In addition to the previously mentioned termination incentive, the Campbell County Board of Education adopted a policy to pay certified employees $150 and classified employees $75 for each sick leave day that they had accumulated at the time of their retirement. Since payments will be calculated and made at the actual time of retirement, the amount of future payments was not measurable at June 30, 2019. Payments totaling $495,900 were paid to individuals who retired during the year ending June 30, 2019.

## J. Office of Central Accounting, Budgeting, and Purchasing

Office of Director of Finance

Campbell 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 for all county departments. The act also provides for the creation of a finance department operated under the direction of the finance director.

## K. Purchasing Law

Purchasing procedures for the Offices of County Mayor, Road Superintendent, and Director of Schools are governed by provisions of the County Financial Management System of 1981, which provide for purchases to be made by the purchasing agent under the supervision of the Financial Management Committee. The director of finance serves as the purchasing agent for the county. The committee established a policy that purchases exceeding $10,000 are to be made on a competitive bid basis.

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

APPENDIX D

# BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY

## BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included hereto to this Official Statement.

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

## ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings*

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

*Capitalization of AGM*

At March 31, 2020:

- The policyholders' surplus of AGM was approximately $2,573 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

*Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "APPENDIX D – BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded

*Miscellaneous Matters*

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

# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ___________________________________
Authorized Officer



A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100