

OFFICIAL STATEMENT

NEW ISSUE

BOOK-ENTRY-ONLY

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

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

\$8,105,000

FENTRESS COUNTY, TENNESSEE General Obligation Bonds, Series 2020

Dated: August 14, 2020

Due: March 1, as shown below.

The \$8,105,000 General Obligation Bonds, Series 2020 (the “Bonds”) issued by Fentress County, Tennessee (the “County”) 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 March 1, 2021 and thereafter on each March 1 and September 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 territorial limits of 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 Bonds maturing March 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after March 1, 2029.

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.**



Due					Interest				
(March 1)	Amount	Rate	Yield	CUSIP**	(March 1)	Amount	Rate	Yield	CUSIP**
2021	\$ 270,000	5.00 %	0.26 %	314621DM2	2027	\$ 195,000	5.00 %	0.70 %	314621DT7
2022	150,000	5.00	0.28	314621DN0	2028	200,000	5.00	0.80	314621DU4
2023	160,000	5.00	0.30	314621DP5	2029	210,000	5.00	0.90	314621DV2
2024	165,000	5.00	0.35	314621DQ3	2030	225,000	3.00	1.00 c	314621DW0
2025	175,000	5.00	0.50	314621DR1	2031	230,000	3.00	1.10 c	314621DX8
2026	185,000	5.00	0.60	314621DS9	2032	235,000	3.00	1.15 c	314621DY6
\$ 495,000					@ 1.25 % c				
\$ 525,000					@ 1.35 % c				
\$ 555,000					@ 1.40 % c				
\$ 590,000					@ 1.45 % c				
\$ 1,640,000					@ 1.60 % c				
\$ 1,900,000					@ 1.70 % c				

c = Yield to call on March 1, 2029

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

The Bonds are offered when, as and if issued, 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 Leslie Ledbetter, 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 August 14, 2020.

Cumberland Securities Company, Inc.
Municipal Advisor

July 22, 2020

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

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

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

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

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

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

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".

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

FENTRESS COUNTY, TENNESSEE

OFFICIALS

County Executive

County Clerk

Director of Schools

County Trustee

County Attorney

Finance Director

Jimmy Johnson

Marilyn Stephens

Michael Jones

Angie Sweet

Leslie Ledbetter

Tyler Arms

BOARD OF COUNTY COMMISSIONERS

Larry Cooper

Robert Cooper

Kim Davidson

Lester Gooding

Benny Hughes

Wade Matthews

Micki McDonald

Justin "Elvis" Miller

Leon Stepp

Rod Williams

UNDERWRITER

Robert W. Baird & Co., Inc.

Milwaukee, Wisconsin

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC

Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

TABLE OF CONTENTS

SUMMARY STATEMENT	i
SECURITIES OFFERED	
Authority and Purpose	1
Financing Plan	1
Description of the Bonds	1
Security	2
Qualified Tax-Exempt Obligations	2
Bond Insurance Policy	2
Optional Redemption	3
Mandatory Redemption	4
Notice of Redemption	4
Payment of Bonds	5
BASIC DOCUMENTATION	
Registration Agent	6
Book-Entry-Only System	6
Discontinuance of Book-Entry-Only System	8
Disposition of Bond Proceeds	9
Discharge and Satisfaction of Bonds	9
Remedies of Bondholders	10
LEGAL MATTERS	
Litigation	11
Tax Matters	
<i>Federal</i>	11
<i>State Taxes</i>	12
Changes in Federal and State Tax Law	13
Closing Certificates	13
Approval of Legal Proceedings	14
MISCELLANEOUS	
Ratings	15
Competitive Public Sale	15
Municipal Advisor; Related Parties; Other	15
Additional Debt	17
Debt Limitations	17
Debt Record	17
Continuing Disclosure	17
<i>Five-Year History of Filing</i>	17
<i>Content of Annual Report</i>	17
<i>Reporting of Significant Events</i>	18
<i>Termination of Reporting Obligation</i>	19
<i>Amendment; Waiver</i>	19
<i>Default</i>	20
Bondholder Risk – COVID-19	20
Additional Information	22
CERTIFICATION OF THE COUNTY	23
APPENDIX A: LEGAL OPINION	

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

Location	B-1
General	B-1
Transportation	B-1
Education	B-1
Healthcare	B-2
Manufacturing and Commerce	B-3
Employment Information.....	B-4
Economic Data.....	B-5
Recreation	B-5

DEBT STRUCTURE

Summary of Bonded Indebtedness	B-7
Indebtedness and Debt Ratios	B-8
Debt Service Requirements - General Obligation	B-10

FINANCIAL INFORMATION

Introduction.....	B-11
Budgetary Process	B-11
Basis of Accounting and Presentation	B-11
Fund Balances and Retained Earnings	B-12
Five-Year Summary of Revenues, Expenditures and Changes in Fund Balance – General Fund	B-13
Government-Wide and Fund Financial Statements.....	B-14
Measurement Focus, Basis of Accounting and Financial Statement Presentation	B-14
Investment and Cash Management Practices.....	B-15
Real Property Assessment, Tax Levy and Collection Procedures	
<i>State Taxation of Property</i>	B-16
<i>County Taxation of Property</i>	B-17
<i>Assessment of Property</i>	B-17
<i>Periodic Reappraisal and Equalization</i>	B-18
<i>Valuation for Property Tax Purposes</i>	B-19
<i>Certified Tax Rate</i>	B-19
<i>Tax Freeze for the Elderly Homeowners</i>	B-20
<i>Tax Collection and Tax Lien</i>	B-20
<i>Assessed Valuations</i>	B-21
<i>Property Tax Rates and Collections</i>	B-21
<i>Ten Largest Taxpayers</i>	B-22
Local Sales Tax Options	B-23
Pension Plans	B-23
Other Post Employment Benefits	B-24

APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS

APPENDIX D: BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY

SUMMARY STATEMENT

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

The IssuerFentress County, Tennessee (the “County” or “Issuer”). See APPENDIX B contained herein.

Securities Offered\$8,105,000 General Obligation Bonds, Series 2020 (the “Bonds”) of the County, dated August 14, 2020. The Bonds mature each March 1 beginning March 1, 2021 through March 1, 2032, inclusive, March 1, 2034, March 1, 2036, March 1, 2038, March 1, 2040, March 1, 2045, and March 1, 2050. See the section entitled “SECURITIES OFFERED” herein for additional information.

SecurityThe Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the territorial limits of the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

Bond InsuranceConcurrently 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.

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.

PurposeThe Bonds are being issued for the purpose of (i) acquiring the jail and justice center presently owned by The Industrial Development Board of Fentress County, Tennessee and leased to the County (the “Project”); and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.

Optional RedemptionThe Bonds maturing March 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after March 1, 2029.

Tax MattersIn 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.)

Bank QualificationThe Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.

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., Milwaukee, Wisconsin.
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, <i>Tennessee Code Annotated</i> , 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 <i>Official Statement</i> is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the County or this <i>Official Statement</i> , The Honorable Jimmy Johnson, County Executive, 101 Main Street, Jamestown, TN 38556, Telephone: (931) 752-8971; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances (In Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Beginning Fund Balance	\$2,336,171	\$1,994,608	\$1,862,090	\$2,034,925	\$2,382,783
Revenues	8,117,857	8,519,777	9,549,919	9,421,310	9,570,431
Expenditures	8,459,420	8,652,295	18,653,740	9,073,452	9,446,168
Excess (Deficiency) of					
Revenues Over Expenditures	(341,563)	(132,518)	(9,103,821)	347,858	124,263
Debt Proceeds	-	-	9,276,656	-	-
Insurance Recovery	-	-	-	-	7,410
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	(20,000)
Adjustments	-	-	-	-	237,616
Ending Fund Balance	<u>\$1,994,608</u>	<u>\$1,862,090</u>	<u>\$2,034,925</u>	<u>\$2,382,783</u>	<u>\$2,732,072</u>

Source: Comprehensive Annual Financial Reports of Fentress County, Tennessee.

\$8,105,000
FENTRESS 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 Fentress County, Tennessee (the “County”) of \$8,105,000 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 County Commission of the County on June 29, 2020 (the “Resolution”).

The Bonds are being issued for the purpose of (i) acquiring the jail and justice center presently owned by The Industrial Development Board of Fentress County, Tennessee and leased to the County (the “Project”); and (ii) payment of the costs related to the issuance and sale of the Bonds.

FINANCING PLAN

The County intends to acquire the jail and justice center presently owned by The Industrial Development Board of Fentress County, Tennessee (the “Board”) and leased to the County pursuant to a Lease Agreement, dated December 18, 2012 (the “Lease”). The jail and justice center were funded by the proceeds of Board’s Lease Revenue Bond, Series 2012 (Fentress County Correctional Facility/Justice Center Project), dated November 17, 2015 (the “Series 2012 Bond”). The proceeds of the Bonds will be used to prepay the Lease and redeem the Series 2012 Bond which will result in the County acquiring the jail and justice center.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from August 14, 2020. Interest on the Bonds will be payable semi-annually on March 1 and September 1, commencing March 1, 2021. 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 Executive 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.

(The remainder of this page left blank intentionally.)

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the territorial limits of the County. For the prompt payment of principal 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 Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the County 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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 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

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

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

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

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

MANDATORY REDEMPTION

Subject to the credit hereinafter described, the County shall redeem Bonds maturing March 1, 2034, March 1, 2036, March 1, 2038, March 1, 2040, March 1, 2045, and March 1, 2050 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the manner described above relating to optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
March 1, 2034	March 1, 2033	\$245,000
	March 1, 2034*	\$250,000
March 1, 2036	March 1, 2035	\$260,000
	March 1, 2036*	\$265,000
March 1, 2038	March 1, 2037	\$275,000
	March 1, 2038*	\$280,000
March 1, 2040	March 1, 2039	\$290,000
	March 1, 2040*	\$300,000

March 1, 2045	March 1, 2041	\$310,000
	March 1, 2042	\$320,000
	March 1, 2043	\$330,000
	March 1, 2044	\$335,000
	March 1, 2045*	\$345,000
March 1, 2050	March 1, 2046	\$360,000
	March 1, 2047	\$370,000
	March 1, 2048	\$380,000
	March 1, 2049	\$390,000
	March 1, 2050*	\$400,000

*Final Maturity

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

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the 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 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.

(The remainder of this page left blank intentionally.)

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-only system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the 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 sufficient, together with such other County funds as may be identified by the County Executive and, if applicable, investment earnings on the foregoing, to prepay lease payments under the Lease and thereby acquire the Project as is permitted by the Lease.

(b) The remainder of the proceeds of the sale of the Bonds shall be used to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

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 of 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 instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the 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. 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 section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

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

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

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

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity,

or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the 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 Executive 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 Executive acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Executive 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”) has assigned 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 July 22, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated July 16, 2020.

The successful bidder for the Bonds was an account led by Robert W. Baird & Co., Inc. Milwaukee, Wisconsin (the “Underwriters”) who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$9,067,943.17 (consisting of the par amount of the Bonds, plus and original issue premium of \$1,099,659.25 and less an underwriter’s discount of \$112,401.08 and less an insurance premium of \$24,315.00 paid by the underwriter) or 111.881% 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.

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

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

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ADDITIONAL DEBT

The County has not authorized any additional debt. However, the County has ongoing capital needs that may or may not require the issuance of additional debt. The County may also authorize the issuance of refunding bonds 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 issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and 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. The City has not had any debt outstanding in the last five (5) years that required disclosure under the Rule.

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

The Annual Report 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;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the County, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms as 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.

Although the Issuer cannot accurately predict the magnitude of the ultimate impact of COVID-19 outbreak on the Issuer’s finances, the Issuer is carefully monitoring the immediate effect of the COVID-19 outbreak on the Issuer’s finances and is attempting to make projections as to the effect of the COVID-19 outbreak for the upcoming fiscal year. For the current fiscal year, the Issuer’s largest source of revenues is property tax revenues. Property tax revenues are due each year on October 1st and are delinquent on the last day of February of the following year, so all tax year 2019 taxes were required to be paid without any penalty by February 29, 2020. The Issuer has already collected in excess of 95.22% of its billed property taxes for tax year 2019, which is comparable to prior years. Economic uncertainties resulting from the COVID-19 outbreak may result in delays in collecting the remaining amount of tax year 2019 property taxes outstanding,

which is a relatively small portion of the Issuer's revenues, and may also affect collections in future years if the COVID-19 outbreak and resulting economic restrictions continue.

The Issuer's second largest source of revenues is sales and use tax revenues. Such tax revenues are expected to comprise approximately 8.03% of the Issuer's revenues in the current 2020 fiscal year that ends June 30, 2020. All sales and use tax revenues are collected by the State, and the Issuer does not typically receive notice from the State of the Issuer's share of sales and use taxes collected for approximately 50 days after the close of each month. With respect to sales and use tax revenues for the most recent month for which information is available, the Issuer's local sales and use tax revenues for March 2020 increased 5.24% from the prior March and for April 2020 increased 3.8% from the previous April and for May 2020 increased 4.61% from the previous May. State shared sales tax remained the same from the prior March, April, and May 2020. The Issuer has not received any information regarding sales and use tax revenues for any subsequent months.

The Issuer also collects other tax revenues such as business taxes that are expected to be materially affected by business closures and reduced economic activity resulting from the COVID-19 outbreak. Such revenues typically consist of less than 1% of the Issuer's revenues.

The administration for the Issuer has proposed a budget for the 2021 fiscal year commencing July 1, 2020 which anticipates a 0.5 % decline in current year property tax revenues. This projected decline in revenues is primarily due to the effect of the COVID-19 outbreak. This decline includes a projected 0 % decline in sales tax revenues. Given the uncertainties as to when businesses, including tourism-related businesses, will be fully operational, these projected declines are uncertain and the ultimate amount of revenues from sales and use taxes, hotel-motel taxes and other similar business taxes may be significantly less or more than what has been projected in the Issuer's proposed budget. In the proposed budget, the Issuer has proposed certain cost reduction measures that will offset projected revenue reductions due to the COVID-19 outbreak.

The Issuer expects to receive some federal and/or State assistance to offset costs to the Issuer of addressing the COVID-19 outbreak. As this point, the Issuer has not been informed as to the timing or amount of federal or State assistance that may be provided, nor does the Issuer know the scope of expenses that will be payable from such assistance. Therefore, the Issuer cannot provide any assurances to whether the projected decline in tax revenues will be mitigated, in whole or part, by such assistance. The Issuer's proposed budget for the 2021 fiscal year does not include any such assistance as a source of revenue to provide for a balanced budget.

The Issuer's liquidity position remains strong. As of April 30, 2020, the Issuer had in excess of \$9.8 million in reserves, which is approximately 25% of the Issuer's general fund budget. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

Various types of information regarding employment and income trends within the County are detailed in APPENDIX B. This information was assembled prior to the COVID-19 outbreak and may not be reflective of current financial conditions. For example, unemployment rates throughout the United States, including the City and the County, have increased significantly since the COVID-19 outbreak. Furthermore, APPENDIX B lists the largest employers in the County. The COVID-19 outbreak has affected businesses throughout the United States, including

businesses in the County, and many of the employers listed in APPENDIX B have been forced to reduce their employment levels from the levels described in APPENDIX B. Given the fluidity of the current economic environment, the Issuer is not able to provide sufficiently accurate updates to this information.

ADDITIONAL INFORMATION

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

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

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

The *Preliminary Official Statement* and *Official Statement*, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements or information printed in 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 *Preliminary Official Statement* as “final” as of its date within the meaning of Rule 15c2-12.

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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/ Jimmy Johnson
County Executive

ATTEST:

/s/ Marilyn Stephens
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 Fentress County, Tennessee (the "Issuer") of the \$8,105,000 General Obligation Bonds, Series 2020 (the "Bonds") dated August 14, 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 territorial limits of 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 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the 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

Fentress County (the “County”) is located on the Cumberland Plateau in the northeastern part of Tennessee. Pickett County is to the north, Scott and Morgan Counties are the East, Cumberland County is to the south and Overton County is west. The City of Jamestown (the “City”) is the county seat. It is 90 miles northwest of Knoxville and 150 miles northeast of Nashville. According to the 2010 Census, Fentress County had a population of 17,959 and Jamestown had a population of 1,959. Other un-incorporated communities in Fentress County include Allardt, Clarkrange and Pall Mall.

GENERAL

Fentress County is a mountainous county and not well suited to agriculture on a large scale. Approximate land area is 498 square miles. Proportion in farms is 32.9%. The leading crops are potatoes, beans, cabbage, and tomatoes. The principal sources of income are derived from agriculture, coal mining and timber.

The County is governed by a ten member Board of County Commissioners elected by direct vote of district residents and a popularly elected County Executive who serves as the ceremonial head and chief executive and fiscal officer of the County.

TRANSPORTATION

The County is served by US Highway 127, State highways 52, 62, 85, 154 and 297. The nearest Interstate is I-40 located about 32 miles south in Cumberland County. The County is served by Jamestown Municipal Airport located in Jamestown. The airport has a 3,500 feet asphalt runway. Commercial air service is provided by the McGhee Tyson Airport in Knoxville about 90 miles east.

EDUCATION

The *Fentress County School System* has four elementary schools, one high school and one adult high school in the system. The schools had a fall 2018 enrollment of 2,093 with 158 teachers.

Source: Tennessee Department of Education.

Alvin C. York Institute. The Alvin C. York Institute is located on top of the Cumberland Plateau in Jamestown, Tennessee, approximately 90 miles from Knoxville and 116 miles from Chattanooga. Fall 2018 Enrollment was 516 with 44 teachers, serving Grades PK-12.

In 1926, Sergeant Alvin Cullum York, Tennessee's World War I hero, established the school named in his honor. The school operated from 1926 to 1937 as a private institution. In 1937, the Tennessee General Assembly placed it under the governance of the State Board of Education and made direct appropriation for its support. York Institute has the unique distinction of being the only state-operated and state-financed comprehensive secondary school in Tennessee. The campus, consisting of over 400 acres, is purported to be the largest high school campus in the world.

Source: Alvin C. York Institute and Tennessee Department of Education.

Roane State Community College Fentress County Campus. 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.

The Tennessee College of Applied Technology at Livingston. The Tennessee College of Applied Technology at Livingston (the “TCAT-L”) is part of a statewide system of 26 vocational-technical schools. The TCAT-L 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-L serves the north central region of the state including Overton, Clay, Fentress, Pickett, Putnam, and Jackson Counties. The TCAT-L began operations in 1967, and the main campus is located in Overton County. Fall 2017 enrollment was 1,886 students.

Source: Tennessee College of Applied Technology at Livingston.

HEALTHCARE

Jamestown Regional Medical Center. Jamestown Regional Medical Center, formerly Fentress County General Hospital, is located in Jamestown, Tennessee and has 87 Acute Care Beds. There are several Special Care Units at Fentress County General Hospital including: Surgery/Recovery; Chemical Dependency Unit; Outpatient Chemical Dependency Programs; Obstetrics; Clinical Laboratory; Physical Therapy and Respiratory Therapy among many others. The hospital operates Home Health agencies in five counties.

Source: Jamestown Regional Medical Center.

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

Source: Community Health Systems.

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MANUFACTURING AND COMMERCE

The County has two business parks including the Jamestown Business Park and the Clarkrange Regional Business Park (initially 244 acres with up to 750 plus acres for possible expansion). The initial phase of the Clarkrange Regional Business Park was completed in 2007.

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

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Fentress Board of Education	Education	329
Micro Metals, Inc.	Powered Metal Parts	105
Robinson Manufacturing Company, Inc.	Sportswear	102
Park Shirt Company	Shirts	98
Big South Fork Park	Recreation	62
City of Jamestown	Government	44
Koch Food	Poultry	30
Iris Apparel Incorporated	Sportswear	30
Camel Manufacturing Company	Army Tents	25

Source: Department of Economic and Community Development and the Knoxville News Sentinel.

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EMPLOYMENT INFORMATION

Due to the national rise in unemployment due to COVID-19 in the spring of 2020, the rates for the County for April 2020 do not represent the usual unemployment rate. In addition to the current unemployment rates for April 2020, below are also the unemployment rates for March 2020 and April 2019 to show the usual trends.

The unemployment rate for the County as of April 2020 was 10.1% representing 6,547 persons employed with a labor force of 7,280.

The unemployment rate for the County as of March 2020 was 4.6% representing 7,144 persons employed with a labor force of 7,486.

The unemployment rate for the County as of April 2019 was 3.1% representing 7,050 persons employed with a labor force of 7,280.

The following chart shows unemployment trends for the County, State and Country for the last five years.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	5.3%	4.9%	4.4%	3.6%	3.9%
Tennessee	5.6%	4.7%	3.8%	3.5%	3.4%
Fentress County	7.3%	6.2%	4.6%	4.2%	4.2%
Index vs. National	138	127	105	117	108
Index vs. State	130	132	121	120	124

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

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ECONOMIC DATA

Per Capita Personal Income

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
National	\$47,058	\$48,978	\$49,870	\$51,885	\$54,446
Tennessee	\$40,801	\$42,593	\$43,726	\$44,950	\$46,900
Fentress County	\$28,720	\$29,975	\$30,366	\$31,029	\$32,232
Index vs. National	61	61	61	60	59
Index vs. State	70	70	69	69	69

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

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Fentress County</u>
Median Value Owner Occupied Housing	\$204,900	\$158,600	\$100,400
% High School Graduates or Higher Persons 25 Years Old and Older	87.7%	87.0%	79.8%
% Persons with Income Below Poverty Level	11.8%	15.3%	20.6%
Median Household Income	\$60,293	\$50,972	\$35,084

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

RECREATION

Big South Fork National River & Recreation Area. Big South Fork covers over 120,000 acres and was established by Congress in 1974 to protect a unique scenic and cultural area. It is located in Scott, Pickett, Fentress and Morgan Counties. Over 675,000 people visited the park annually. The free-flowing Big South Fork of the Cumberland River and its tributaries pass through 90 miles of scenic gorges and valleys containing a wide range of natural and historic features. The area offers a broad range of recreational opportunities including camping, hunting, fishing, whitewater rafting, kayaking, canoeing, and over 300 miles of hiking, horseback riding, and mountain biking. The U.S. Army Corps of Engineers, with its experience in managing river basins, was charged with land acquisition, planning and development of facilities. Now completed, these lands and facilities are operated and maintained by the National Park Service for the benefit and use of the public. A small portion of the Park extends north into the Daniel Boone National Forest in Kentucky.

Source: National Park Service.

Sgt. Alvin C. York State Historic Park. The Park, located in Fentress County, pays tribute to Sgt. Alvin C. York, the backwoods marksman from the mountains of Tennessee who became one of the most decorated soldiers of World War I. York's fame rose from his legendary exploits on October 8, 1918 in the Argonne Forest in France. Leading a small patrol, York was sent out to eliminate flanking machine gun fire that was halting the advance of his regiment. York found himself alone opposing a German machine gun unit. With rifle and pistol he engaged the enemy. The fight ended with more than twenty Germans dead. Then, the other one hundred and thirty-two soldiers, including four officers and thirty-five machine guns, became discouraged and surrendered to York and six of his comrades. For that he was decorated with a dozen metals, including the Congressional Medal of Honor and the French Croix de Guerre. He has been honored by a 10-foot statue on the grounds of the State Capitol in Nashville, and his medals and trophies may be seen at the Tennessee State Museum. The historic park includes the York family farm and the grist mill he operated for many years on the banks of the Wolf River. The farm and grist mill are located on Highway 127 in Fentress County, about seven miles north of Jamestown. The park offers a museum and picnic facilities.

Source: Tennessee State Parks.

World's Longest Yardsale. Also known as the Hwy 127 Corridor Sale, the Sale is headquartered in Jamestown, Tennessee at the Fentress County Chamber of Commerce. Hundreds of thousands of folks join each year for this event, spanning 450 miles and four states. It's impossible to keep track of how many shoppers and vendors there are and for shoppers to cover the entire route in four days.

Source: 127 Yard Sale.

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FENTRESS COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS
As of June 30, 2020 (Unaudited)

Amount Issued	Purpose	Due Date	Interest Rates	Debt Outstanding (1)
\$ 6,000,000	TMBF Loan, Series 2010	May 25, 2026	Variable	\$ 2,207,000
9,276,656	General Obligation Lease via a USDA Bond, Series 2012 (3)	Nov. 17, 2052	Fixed	8,744,103
<u>\$ 15,276,656</u>				<u>\$ 10,951,103</u>
 \$ 8,105,000	General Obligation Bonds, Series 2020	May 2034	Fixed	 \$ 8,105,000
<u>(9,276,656)</u>	Less: Prepaid Lease			<u>(8,744,103)</u>
 \$ 14,105,000	Net Bonded Debt - Excludes Highway Department and General Purpose School Fund			 \$ 10,312,000
 General Purpose School Fund - Estimated				
<u>477,435</u>	General Obligation Capital Outlay Note, Series 2010 (2)	April 15, 2022	Fixed	<u>92,000</u>
<u>\$ 477,435</u>	Total General Purpose School Fund			<u>\$ 92,000</u>
 Highway Department - Estimated				
<u>215,190</u>	General Obligation Capital Outlay Note, Series 2019	Feb 2022	Fixed	<u>130,433</u>
<u>\$ 215,190</u>	Total Highway Department			<u>\$ 130,433</u>

NOTES:

(1) Does not include capitalized leases outstanding, compensated absence or additional notes, if any. For more details, see the Financial Statements in the CAFR.

(2) Paid by General Purpose School Fund

FENTRESS COUNTY, TENNESSEE

INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the County's Annual Financial Statements 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.

INDEBTEDNESS	For Fiscal Years Ended June 30			Unaudited		After Issuance
	2016	2017	2018	2019	2020	2020
TAX SUPPORTED						
General Obligation Bonds and Notes and Leases- (1)	\$ 14,030,109	\$ 13,409,624	\$ 12,534,319	\$ 11,968,010	\$ 11,173,536	\$ 10,312,000
TOTAL TAX SUPPORTED	\$14,030,109	\$13,409,624	\$12,534,319	\$11,968,010	\$11,173,536	\$10,312,000
REVENUE SUPPORTED						
Revenue Supported Debt	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE SUPPORTED	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL DEBT	\$14,030,109	\$13,409,624	\$12,534,319	\$11,968,010	\$11,173,536	\$10,312,000
Less: Revenue Supported Debt	\$0	\$0	\$0	\$0	\$0	\$0
Less: Debt Service Fund	(2,374,616)	(2,468,888)	(2,447,246)	(2,325,105)	(2,325,105)	(2,325,105)
NET DIRECT DEBT	\$11,655,493	\$10,940,736	\$10,087,073	\$9,642,905	\$8,848,431	\$7,986,895
PROPERTY TAX BASE						
Estimated Actual Value	\$1,124,300,585	\$1,138,913,113	\$1,175,748,007	\$1,238,923,753	\$1,262,621,783	\$1,262,621,783
Estimated Appraised Value	1,124,300,585	1,138,913,113	1,149,646,401	1,238,923,753	1,262,621,783	1,262,621,783
Estimated Assessed Value	308,252,510	312,326,100	314,566,121	340,037,895	346,545,376	346,545,376

Sources: Annual Financial Reports of the County and the Tax Aggregate Reports of the State of Tennessee.

(1) Does not include compensated absences. See the Notes to the Financial Statements in the CAFR for additional details. Excludes Highway Department Debt.

	For Fiscal Years Ended June 30				Unaudited 2020	After Issuance 2020
	2016	2017	2018	2019		
DEBT RATIOS						
TOTAL DEBT to Estimated Actual Value	1.25%	1.18%	1.07%	0.97%	0.88%	0.82%
TOTAL DEBT to Appraised Value	1.25%	1.18%	1.09%	0.97%	0.88%	0.82%
TOTAL DEBT to Assessed Value	4.55%	4.29%	3.98%	3.52%	3.22%	2.98%
NET DIRECT DEBT to Estimated Actual Value	1.04%	0.96%	0.86%	0.78%	0.70%	0.63%
NET DIRECT DEBT to Appraised Value	1.04%	0.96%	0.88%	0.78%	0.70%	0.63%
NET DIRECT DEBT to Assessed Value	3.78%	3.50%	3.21%	2.84%	2.55%	2.30%
PER CAPITA RATIOS						
POPULATION (1)	18,033	18,136	18,217	18,523	18,523	18,523
PER CAPITA PERSONAL INCOME (2)	\$30,366	\$31,029	\$32,232	\$32,232	\$32,232	\$32,232
Estimated Actual Value to POPULATION	62,347	62,798	64,541	66,886	68,165	68,165
Assessed Value to POPULATION	17,094	17,221	17,268	18,358	18,709	18,709
TOTAL DEBT to POPULATION	778	739	688	646	603	557
NET DIRECT DEBT to POPULATION	646	603	554	521	478	431
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.56%	2.38%	2.13%	2.00%	1.87%	1.73%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	2.13%	1.94%	1.72%	1.62%	1.48%	1.34%

(1) Population data according to the U.S. Census and the population estimates from the U.S. Census Bureau.

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

FENTRESS COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation Debt Service Fund and General Fund

F.Y. Ended	Unaudited Existing Debt As of June 30, 2020 (1)		Less: Lease Being Prepaid		General Obligation Bonds, Series 2020		Total Bonded Debt Service Requirements (1) (2)		% All Principal Repaid
	Principal	Interest (2)	Principal	Interest	Principal	Interest (3)	Principal	Interest	
6/30	TOTAL		TOTAL		TOTAL		TOTAL		
2021	\$ 468,988	\$ 382,344	\$ (144,988)	\$ (306,044)	\$ 270,000	\$ 151,772	\$ 594,000	\$ 228,072	5.76%
2022	491,063	365,879	(150,063)	(300,969)	150,000	263,850	491,000	328,760	
2023	513,315	348,643	(155,315)	(295,717)	160,000	256,350	518,000	309,276	
2024	536,751	330,624	(160,751)	(290,281)	165,000	248,350	541,000	288,693	
2025	560,378	311,785	(166,378)	(284,654)	175,000	240,100	569,000	267,231	26.31%
2026	586,201	292,114	(172,201)	(278,831)	185,000	231,350	599,000	244,633	
2027	178,228	272,804	(178,228)	(272,804)	195,000	222,100	195,000	222,100	
2028	184,466	266,566	(184,466)	(266,566)	200,000	212,350	200,000	212,350	
2029	190,922	260,110	(190,922)	(260,110)	210,000	202,350	210,000	202,350	
2030	197,604	253,428	(197,604)	(253,428)	225,000	191,850	225,000	191,850	40.17%
2031	204,521	246,511	(204,521)	(246,511)	230,000	185,100	230,000	185,100	
2032	211,679	239,353	(211,679)	(239,353)	235,000	178,200	235,000	178,200	
2033	219,087	231,945	(219,087)	(231,945)	245,000	171,150	245,000	171,150	
2034	226,756	224,276	(226,756)	(224,276)	250,000	163,800	250,000	163,800	
2035	234,692	216,340	(234,692)	(216,340)	260,000	156,300	260,000	156,300	52.00%
2036	242,906	208,126	(242,906)	(208,126)	265,000	148,500	265,000	148,500	
2037	251,408	199,624	(251,408)	(199,624)	275,000	140,550	275,000	140,550	
2038	260,207	190,825	(260,207)	(190,825)	280,000	132,300	280,000	132,300	
2039	269,314	181,718	(269,314)	(181,718)	290,000	123,900	290,000	123,900	
2040	278,740	172,292	(278,740)	(172,292)	300,000	115,200	300,000	115,200	65.67%
2041	288,496	162,536	(288,496)	(162,536)	310,000	106,200	310,000	106,200	
2042	298,594	152,438	(298,594)	(152,438)	320,000	96,900	320,000	96,900	
2043	309,045	141,987	(309,045)	(141,987)	330,000	87,300	330,000	87,300	
2044	319,861	131,171	(319,861)	(131,171)	335,000	77,400	335,000	77,400	81.57%
2045	331,056	119,976	(331,056)	(119,976)	345,000	67,350	345,000	67,350	
2046	342,643	108,389	(342,643)	(108,389)	360,000	57,000	360,000	57,000	
2047	354,636	96,396	(354,636)	(96,396)	370,000	46,200	370,000	46,200	
2048	367,048	83,984	(367,048)	(83,984)	380,000	35,100	380,000	35,100	
2049	379,895	71,137	(379,895)	(71,137)	390,000	23,700	390,000	23,700	
2050	393,191	57,841	(393,191)	(57,841)	400,000	12,000	400,000	12,000	100.00%
2051	406,953	44,079	(406,953)	(44,079)	-	-	-	-	
2052	421,196	29,836	(421,196)	(29,836)	-	-	-	-	100.00%
2053	431,263	15,094	(431,263)	(15,094)	-	-	-	-	
	<u>\$ 10,951,103</u>	<u>\$ 6,410,171</u>	<u>\$ (8,744,103)</u>	<u>\$ (6,135,278)</u>	<u>\$ 8,105,000</u>	<u>\$ 4,344,572</u>	<u>\$ 10,312,000</u>	<u>\$ 4,619,465</u>	<u>\$ 14,931,465</u>

Notes:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.
- (2) Estimated Budget Rate of 3.50% on TMBF variable rate loans.
- (3) Average Coupon of 3.113%.

FINANCIAL INFORMATION

INTRODUCTION

The financial statements of have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BUDGETARY PROCESS

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

The budgetary level of control is at the major category level established by the State 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: Board of County Commissioners, Board of Equalization, County Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories.

The County's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in budgetary comparison statements are presented on a budgetary basis.

BASIS OF ACCOUNTING AND PRESENTATION

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

All Proprietary Funds, Nonexpendable Trust Funds and Pension Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and fund balance components. Proprietary fund type operating statements present increases (e.g., revenues) and

decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds and, expendable trust funds are accounted for using a current financial resource measurement focus. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued or vested, and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

FUND BALANCES AND RETAINED EARNINGS

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

	<u>For the Fiscal Year Ended June 30,</u>				
<u>Fund Type</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>Governmental Funds:</i>					
General	\$1,994,608	\$1,862,090	\$2,034,925	\$2,382,783	\$2,732,072
Highway/Public Works	294,248	441,289	428,389	527,998	779,947
General Debt Service	2,635,882	2,374,616	2,468,888	2,447,246	2,325,105
Other Governmental	<u>526,782</u>	<u>785,258</u>	<u>847,495</u>	<u>862,086</u>	<u>1,029,090</u>
Total	<u>\$5,451,520</u>	<u>\$5,463,280</u>	<u>\$5,779,697</u>	<u>\$6,220,113</u>	<u>\$6,866,214</u>

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Local taxes	\$ 4,949,497	\$ 5,205,398	\$ 5,560,083	\$ 5,692,098	\$ 5,830,218
Licenses and Permits	18,217	16,170	13,343	14,149	13,846
Fines, forfeitures and penalties	65,104	75,904	83,681	70,799	61,681
Charges for current services	1,337,458	1,170,370	1,324,596	1,283,909	1,366,399
Other Local Revenues	381,202	284,550	687,868	246,405	302,148
Fees Recv'd from County Officials	659,141	687,095	721,342	678,803	697,999
State of Tennessee	585,907	902,756	860,040	1,249,177	1,143,757
Federal Government	82,806	60,832	168,311	80,535	32,920
Other Gov't's & Citizens Groups	38,525	116,702	130,655	105,435	121,463
Total Revenues	<u>\$ 8,117,857</u>	<u>\$ 8,519,777</u>	<u>\$ 9,549,919</u>	<u>\$ 9,421,310</u>	<u>\$ 9,570,431</u>
Expenditures and Other Uses:					
General Government	\$ 1,033,245	\$ 1,021,587	\$ 1,281,138	\$ 1,193,088	\$ 1,141,096
Finance	918,321	900,891	918,984	911,397	918,798
Administration of Justice	633,970	635,053	629,909	632,162	634,118
Public Safety	2,860,673	3,033,221	2,987,968	3,111,164	3,218,615
Public Health and Welfare	1,523,890	1,616,288	1,818,204	1,717,276	1,683,831
Social, Cultural & Recreational Services	318,897	299,334	294,532	369,520	327,384
Agricultural & Natural Resources	96,426	87,915	93,473	84,777	109,502
Other Operations	806,147	1,040,487	901,844	603,036	961,792
Debt Service	-	-	451,032	451,032	451,032
Capital Projects	267,851	17,519	9,276,656	-	-
Total Expenditures	<u>\$ 8,459,420</u>	<u>\$ 8,652,295</u>	<u>\$ 18,653,740</u>	<u>\$ 9,073,452</u>	<u>\$ 9,446,168</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (341,563)	\$ (132,518)	\$ (9,103,821)	\$ 347,858	\$ 124,263
Other Sources and Uses:					
Capitalized Lease / Note Proceeds	\$ -	\$ -	\$ 9,276,656	\$ -	\$ -
Insurance Recovery	-	-	-	-	7,410
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	-	-	(20,000)
Total Revenues & Other Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,276,656</u>	<u>\$ -</u>	<u>\$ (12,590)</u>
Excess of Revenues & Other Financing Sources Over (under) Expenditures & Other Uses	\$ (341,563)	\$ (132,518)	\$ 172,835	\$ 347,858	\$ 111,673
Fund Balance July 1	2,336,171	1,994,608	1,862,090	2,034,925	2,382,783
Prior Period Adjustment	-	-	-	-	237,616
Fund Balance June 30	<u><u>\$ 1,994,608</u></u>	<u><u>\$ 1,862,090</u></u>	<u><u>\$ 2,034,925</u></u>	<u><u>\$ 2,382,783</u></u>	<u><u>\$ 2,732,072</u></u>

Source: Annual Financial Report for Fentress County, Tennessee

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. However, when applicable, inter-fund 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 Fentress 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 Fentress 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.

Fentress County issues all debt for the discretely presented Fentress County School Department.

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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Fund financial statements of Fentress 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, liabilities, 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 and proprietary categories. Fentress 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. Fentress 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.

For additional information, please see the complete Annual Financial Statements of the County included herein.

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

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

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

four-year period followed by revaluation of all such property in the year following completion of the review period.

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2019¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities	\$ 22,063,952	55%	\$ 50,547,427
Commercial and Industrial	52,604,520	40%	131,511,300
Personal Tangible Property	10,416,754	<u>30%</u>	34,722,456
Residential and Farm	<u>261,460,150</u>	<u>25%</u>	<u>1,045,840,600</u>
Total	<u>\$346,545,376</u>		<u>\$1,262,621,783</u>

The estimated assessed value of property in the County for the fiscal year ending June 30, 2020 (tax year 2019) is \$346,545,376 compared to \$340,037,895 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is \$1,262,621,783 compared to \$1,238,923,753 for tax year 2018.

¹ The tax year coincides with the calendar year, so tax year 2019 for example is actually fiscal year 2019-2020.

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

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 Year²	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of March 27, 2020 Amount	Pct
2015	\$308,252,510	\$1.9839	\$6,102,544	\$5,997,661	98.3%	\$ 3,916	0.1%
2016	312,326,100	1.9839	6,183,146	6,027,260	97.5%	20,191	0.3%
2017	314,566,121	1.9839	6,232,688	6,165,984	98.9%	38,696	0.6%
2018	340,037,895	1.9100	6,482,193	6,325,624	97.6%	156,569	2.4%
2019	346,545,376	1.9100	6,003,820*	IN PROCESS			

* Estimated

² The tax year coincides with the calendar year, so tax year 2019 for example is actually fiscal year 2019-2020.

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

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Assessment</u>	<u>Taxes Paid</u>
1. Volunteer Energy Corp.	Power	\$11,213,827	\$214,184
2. Bruno Gernt Estate, Inc.	Timber/Land	9,294,020	177,517
3. East TN Natural Gas	Utility	4,509,744	86,136
4. Union Bank	Banking/Land	3,385,780	64,669
5. Gotham Woods LLC	Land/Realty Sales	3,223,545	61,568
6. Twin Lakes Telephone	Telecommunications	3,194,960	61,024
7. HMA Fentress Hospital	Hospital	2,706,160	51,687
8. Wal-Mart Stores	Retail	2,338,662	44,668
9. Progressive Savings Bank	Banking/Land	2,325,334	44,415
10. Allardt Land Company	Timber/Land	<u>2,250,100</u>	<u>43,016</u>
TOTAL		<u>\$44,442,132</u>	<u>\$848,884</u>

Source: the County.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2020 (tax year 2019), the largest taxpayers in the County were as follows:

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Assessment</u>	<u>Taxes Paid</u>
1. Volunteer Energy Corp.	Power	\$11,258,646	\$215,040
2. Bruno Gernt Estate, Inc.	Timber/Land	7,867,815	150,277
3. East TN Natural Gas	Utility	4,699,569	89,762
4. Twin Lakes Telephone	Telecommunications	3,601,179	68,782
5. Union Bank	Banking/Land	3,305,490	63,135
6. Gotham Woods LLC	Land/Realty Sales	2,814,056	53,747
7. Rennova Health Services	Hospital	2,785,280	53,198
8. Progressive Savings Bank	Banking/Land	2,417,891	46,182
9. Wal-Mart Stores	Retail	2,363,082	45,134
10. Allardt Land Company	Timber/Land	<u>2,119,900</u>	<u>40,503</u>
TOTAL		<u>\$43,232,908</u>	<u>\$825,760</u>

Source: the County.

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LOCAL OPTION SALES TAX

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

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

The revenues from the County - wide sales taxes are distributed pursuant to the provisions of the Sales Tax Act and other provisions of the *Tennessee Code Annotated*. Fifty percent (50 percent) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized school systems in the county in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections are divided between the general fund of the county in which the taxes are collected and all incorporated cities or towns in such county based upon the situs of collection unless a separate agreement has been ratified concerning the distribution of these funds. The distribution to the County of the two and one-half percent ($2\frac{1}{2}\%$) County-wide sales tax for the most recent five fiscal years is outlined below.

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
General Debt Service	\$ 377,360	\$ 343,752	\$ 332,560	\$ 345,514	\$ 349,007
Solid Waste/Sanitation	711,049	718,338	716,757	720,936	758,413
Schools	<u>1,779,089</u>	<u>1,795,845</u>	<u>1,782,494</u>	<u>1,795,173</u>	<u>1,908,398</u>
Total	<u>\$2,867,498</u>	<u>\$2,857,845</u>	<u>\$2,831,811</u>	<u>\$2,861,623</u>	<u>\$3,015,818</u>

Source: Annual Financial Reports of the County.

The Sales Tax Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted by the Sales Tax Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent. To date, the County has not formally pledged this source as security for any outstanding debt obligations.

PENSION PLANS

Employees of the County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of

service. Members become eligible to retire at the age of 60 with 5 (five) years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

OTHER POST EMPLOYMENT BENEFITS

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial statements. In previous years, the School Department had only recognized the current-year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

The Fentress County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

For additional information, please refer to the appropriate Notes to Financial Statements located in the Financial Statements of the County located herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS OF FENTRESS 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 Fentress County for the fiscal year ended June 30, 2019 which is available upon request from the County

ANNUAL FINANCIAL REPORT

FENTRESS COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2019



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
FENTRESS 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

STEVE REEDER, CPA, CGFM, CFE
Audit Manager

ANITA SCARLETT, CPA
Senior Auditor

GARY RAMSEY, CPA
SARAH SMITH
BARBARA SHULTS
State Auditors

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

FENTRESS COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Summary of Audit Findings		6
<u>INTRODUCTORY SECTION</u>		7
Fentress County Officials		8
<u>FINANCIAL SECTION</u>		9
Independent Auditor's Report		10-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	C-5	25-27
Solid Waste/Sanitation Fund	C-6	28
Highway/Public Works Fund	C-7	29
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	30
Index and Notes to the Financial Statements		31-101

Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DIRECTOR

- ◆ Former accounts payable clerk stole at least \$239,681.
 - ◆ General ledger payroll liability accounts were not reconciled monthly.
 - ◆ The office had purchasing deficiencies.
-

INTRODUCTORY SECTION

Fentress County Officials

June 30, 2019

Officials

Jimmy Johnson, County Executive
Joey Reagan, Road Supervisor
Michael Jones, Director of Schools
Angie Sweet, Trustee
Melynda Sullivan, Assessor of Property
Marilyn Stephens, County Clerk
Gina Mullinix, Circuit and General Sessions Courts Clerk
Linda Smith, Clerk and Master
Patricia Slaven, Register of Deeds
Michael Reagon, Sheriff
Tyler Arms, Finance Director

Board of County Commissioners

Jimmy Johnson, County Executive, Chairman	
Larry Cooper	Wade Matthews
Robert Cooper	Micki McDonald
Kim Davidson	Justin Elvis Miller
Lester Gooding	Leon Stepp
Benny Hughes	Rod Williams

Board of Education

Eddie Cook, Chairman	Felicia Garrett
Darlene Brannon	Gary Peters
William Cody	Kathy Pritchett
Karen Cooper	Russell Stephens
Lynette Pritchett Evans	Kathy Williams

Financial Management Committee

Larry Cooper, Chairman
Kim Davidson
Lester Gooding
Benny Hughes
Jimmy Johnson, County Executive
Michael Jones, Director of Schools
Joey Reagan, Road Supervisor

Audit Committee

Phillip Horst, Chairman
Kim Davidson
Lester Gooding
Julie Linder
David Ramsey

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Independent Auditor's Report

Fentress County Executive and
Board of County Commissioners
Fentress County, Tennessee

To the County Executive 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 Fentress County, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Industrial Development Board of Fentress County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Board of Fentress County, is based solely on the report of the other auditors. We were unable to determine the Industrial Development Board of Fentress County's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the Fentress County Emergency Communications District, a component unit requiring discrete presentation, was not included in the county's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fentress County, Tennessee, as of June 30, 2019, and the respective changes in financial position, and the respective budgetary comparison for the General, Solid Waste/Sanitation, 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 asset and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension assets, and schedules of county and school changes in the total OPEB liability and related ratios - other postemployment benefits plans 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 Fentress 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 Fentress County School Department (a discretely presented component unit), miscellaneous schedules, and the other information, such as, the introductory section and management's corrective action plans are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

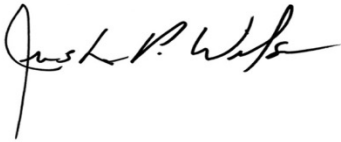
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fentress County School Department (a discretely presented component unit), schedule 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 Fentress County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2020, on our consideration of Fentress 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 Fentress 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 Fentress County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 20, 2020

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

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

		Component Units	
	Primary	Fentress	Industrial
	Government	County	Development
	Governmental	School	Board of
	Activities	Department	Fentress
			County
<u>ASSETS</u>			
Cash	\$ 17,357	\$ 0	\$ 257,330
Equity in Pooled Cash and Investments	6,001,515	5,685,912	0
Accounts Receivable	352,760	45	0
Allowance for Uncollectibles	(182,913)	0	0
Due from Other Governments	838,463	630,029	0
Due from Component Units	152,029	0	0
Capital Lease Receivable	0	0	140,085
Property Taxes Receivable	6,043,872	786,776	0
Allowance for Uncollectible Property Taxes	(58,610)	(7,630)	0
Prepaid Items	0	0	941
Cash Shortage	237,616	0	0
Notes Receivable - Long-term	0	1,449	0
Capital Lease Receivable - Long-term	0	0	8,744,102
Net Pension Asset - Agent Plan	0	555,244	0
Net Pension Asset - Teacher Retirement Plan	0	66,465	0
Net Pension Asset - Teacher Legacy Plan	0	782,363	0
Restricted Assets:			
Amounts Accumulated for Pension Benefits	0	28,516	0
Capital Assets:			
Assets Not Depreciated:			
Land	5,457,653	411,763	1,002,090
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	16,533,700	11,773,925	1,515,938
Other Capital Assets	2,413,801	1,506,112	4,096
Infrastructure	23,328,060	0	951,089
Total Assets	\$ 61,135,303	\$ 22,220,969	\$ 12,615,671
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Changes in Experience	\$ 277,248	\$ 255,643	\$ 0
Pension Changes in Assumptions	161,861	560,689	0
Pension Changes in Proportionate Share	0	34,670	0
Pension Changes in Contributions after Measurement Date	329,163	1,018,640	0
OPEB Changes in Assumptions	9,430	67,412	0
OPEB Contributions after Measurement Date	2,215	167,401	0
Total Deferred Outflows of Resources	\$ 779,917	\$ 2,104,455	\$ 0
<u>LIABILITIES</u>			
Accounts Payable	\$ 40,761	\$ 0	\$ 2,811
Payroll Deductions Payable	64,449	621,117	0
Due to Primary Government	0	152,029	0
Due to State of Tennessee	0	5,247	0
Accrued Interest Payable	195,439	0	191,679
Other Current Liabilities	398	0	0
Noncurrent Liabilities:			
Due Within One Year - Debt	645,474	0	140,085
Due Within One Year - Other	230,236	176,875	0
Due in More Than One Year - Debt	11,322,536	0	8,744,102
Due in More Than One Year - Other	1,133,769	2,767,816	0
Total Liabilities	\$ 13,633,062	\$ 3,723,084	\$ 9,078,677

(Continued)

Exhibit A

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

		Component Units	
	Primary Governmental Activities	Fentress County School Department	Industrial Development Board of Fentress County
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 5,668,354	\$ 737,892	\$ 0
Pension Changes in Experience	205,212	1,464,788	0
Pension Changes in Investment Earnings	46,639	206,162	0
Pension Changes in Proportionate Share	0	28,930	0
OPEB Changes in Experience	45,047	318,830	0
OPEB Changes in Assumptions	8,480	115,233	0
OPEB Changes in Proportionate Share	0	220,255	0
Total Deferred Inflows of Resources	<u>\$ 5,973,732</u>	<u>\$ 3,092,090</u>	<u>\$ 0</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 38,433,233	\$ 13,691,800	\$ 3,473,213
Restricted for:			
General Government	10,817	0	0
Public Safety	66,991	0	470
Highways/Public Works	954,778	0	0
Capital Projects	42,648	0	0
Education	0	949,688	0
Pensions	0	1,432,588	0
Other Purposes	237,616	0	0
Unrestricted	<u>2,562,343</u>	<u>1,436,174</u>	<u>63,311</u>
Total Net Position	<u>\$ 42,308,426</u>	<u>\$ 17,510,250</u>	<u>\$ 3,536,994</u>

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Component Units		Industrial Development Board of Fentress County
						Fentress County School Department		
Primary Government:								
Governmental Activities:								
General Government	\$ 2,016,562	\$ 254,654	\$ 35,564	\$ 0	\$ (1,726,344)	\$ 0		\$ 0
Finance	907,274	453,062	0	0	(454,212)	0		0
Administration of Justice	722,261	292,296	9,000	0	(420,965)	0		0
Public Safety	3,984,528	1,267,049	40,472	754,965	(1,922,042)	0		0
Public Health and Welfare	3,702,418	1,061,863	170,677	0	(2,469,878)	0		0
Social, Cultural, and Recreational Services	433,765	21,682	14,394	0	(397,689)	0		0
Agriculture and Natural Resources	111,172	0	0	0	(111,172)	0		0
Highways/Public Works	3,209,649	22,363	2,346,568	629,001	(211,717)	0		0
Interest on Long-term Debt	572,218	0	0	0	(572,218)	0		0
Total Primary Government	<u>\$ 15,659,847</u>	<u>\$ 3,372,969</u>	<u>\$ 2,616,675</u>	<u>\$ 1,383,966</u>	<u>\$ (8,286,237)</u>	<u>\$ 0</u>		<u>\$ 0</u>
Component Units:								
Fentress County School Department	\$ 19,323,861	\$ 38,412	\$ 3,637,047	\$ 60,000	\$ 0	\$ (15,588,402)		\$ 0
Industrial Development Board	430,250	363,184	10,515	507,667	0	0		451,116
Total Component Units	<u>\$ 19,754,111</u>	<u>\$ 401,596</u>	<u>\$ 3,647,562</u>	<u>\$ 567,667</u>	<u>\$ 0</u>	<u>\$ (15,588,402)</u>		<u>\$ 451,116</u>

(Continued)

Exhibit B

Fentress County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position					
		Program Revenues			Primary Government Total Governmental Activities	Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Fentress County School Department	Industrial Development Board of Fentress County
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 5,824,926	\$ 753,367	\$ 0
Property Taxes Levied for Debt Service					13,582	0	0
Local Option Sales Tax					1,107,420	1,908,398	0
Wheel Tax					0	438,049	0
Wholesale Beer Tax					209,211	0	0
Business Tax					108,105	31,130	0
Hotel/Motel Tax					37,455	0	0
Mineral Severance Tax					29,338	15,295	0
Litigation Taxes					102,787	0	0
Other Local Taxes					1,429	1,102	0
Grants and Contributions Not Restricted for Specific Programs					461,864	14,157,215	0
Unrestricted Investment Earnings					33,320	44,077	313
Miscellaneous					25,958	107,348	0
Sale of Equipment					90,884	0	10,195
Total General Revenues					\$ 8,046,279	\$ 17,455,981	\$ 10,508
Insurance Recovery					\$ 59,910	\$ 0	\$ 0
Change in Net Position					\$ (180,048)	\$ 1,867,579	\$ 461,624
Prior-period Adjustment - See Note I.D.9.					237,616	0	0
Net Position, July 1, 2018					42,250,858	15,642,671	3,075,370
Net Position, June 30, 2019					\$ 42,308,426	\$ 17,510,250	\$ 3,536,994

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,357	\$ 17,357
Equity in Pooled Cash and Investments	2,231,133	834,545	573,279	2,293,287	69,271	6,001,515
Accounts Receivable	328,879	17,803	0	0	6,078	352,760
Allowance for Uncollectibles	(182,913)	0	0	0	0	(182,913)
Due from Other Governments	179,343	128,058	405,697	60,615	64,750	838,463
Due from Other Funds	23,435	0	0	0	0	23,435
Cash Shortage	237,616	0	0	0	0	237,616
Property Taxes Receivable	5,101,005	395,282	0	547,585	0	6,043,872
Allowance for Uncollectible Property Taxes	(49,467)	(3,833)	0	(5,310)	0	(58,610)
Total Assets	\$ 7,869,031	\$ 1,371,855	\$ 978,976	\$ 2,896,177	\$ 157,456	\$ 13,273,495
<u>LIABILITIES</u>						
Accounts Payable	\$ 17,211	\$ 0	\$ 0	\$ 0	\$ 23,550	\$ 40,761
Payroll Deductions Payable	49,880	6,591	7,978	0	0	64,449
Due to Other Funds	0	0	0	0	23,435	23,435
Other Current Liabilities	339	8	51	0	0	398
Total Liabilities	\$ 67,430	\$ 6,599	\$ 8,029	\$ 0	\$ 46,985	\$ 129,043
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 4,762,759	\$ 368,946	\$ 0	\$ 536,649	\$ 0	\$ 5,668,354
Deferred Delinquent Property Taxes	227,036	17,691	0	4,423	0	249,150
Other Deferred/Unavailable Revenue	79,734	60,000	191,000	30,000	0	360,734
Total Deferred Inflows of Resources	\$ 5,069,529	\$ 446,637	\$ 191,000	\$ 571,072	\$ 0	\$ 6,278,238

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>FUND BALANCES</u>						
Nonspendable:						
Cash Shortage	\$ 237,616	\$ 0	\$ 0	\$ 0	\$ 0	237,616
Restricted:						
Restricted for General Government	3,709	0	0	0	0	3,709
Restricted for Public Safety	16,646	0	0	0	50,345	66,991
Restricted for Other Operations	7,108	0	0	0	0	7,108
Restricted for Highways/Public Works	0	0	779,947	0	0	779,947
Restricted for Capital Outlay	0	0	0	0	42,648	42,648
Committed:						
Committed for General Government	322,863	0	0	0	0	322,863
Committed for Public Health and Welfare	0	918,619	0	0	0	918,619
Committed for Social, Cultural, and Recreational Services	0	0	0	0	17,319	17,319
Committed for Debt Service	0	0	0	2,325,105	0	2,325,105
Assigned:						
Assigned for General Government	16,500	0	0	0	0	16,500
Assigned for Public Safety	3,095	0	0	0	0	3,095
Assigned for Public Health and Welfare	5,500	0	0	0	0	5,500
Assigned for Social, Cultural, and Recreational Services	0	0	0	0	159	159
Unassigned	2,119,035	0	0	0	0	2,119,035
Total Fund Balances	<u>\$ 2,732,072</u>	<u>\$ 918,619</u>	<u>\$ 779,947</u>	<u>\$ 2,325,105</u>	<u>\$ 110,471</u>	<u>\$ 6,866,214</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,869,031</u>	<u>\$ 1,371,855</u>	<u>\$ 978,976</u>	<u>\$ 2,896,177</u>	<u>\$ 157,456</u>	<u>\$ 13,273,495</u>

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

Exhibit C-2

Fentress 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)		\$ 6,866,214
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 5,457,653	
Add: buildings and improvements net of accumulated depreciation	16,533,700	
Add: other capital assets net of accumulated depreciation	2,413,801	
Add: infrastructure net of accumulated depreciation	<u>23,328,060</u>	47,733,214
(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	\$ (337,866)	
Less: other loans payable	(2,745,956)	
Less: capital leases payable	(8,884,188)	
Add: debt to be contributed by the school department	152,029	
Less: accrued interest on notes, other loans and capital leases	(195,439)	
Less: compensated absences payable	(433,411)	
Less: net pension liability	(567,724)	
Less: net OPEB liability	(165,868)	
Less: landfill postclosure care costs	<u>(197,002)</u>	(13,375,425)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 768,272	
Less: deferred inflows of resources related to pensions	(251,851)	
Add: deferred outflows of resources related to OPEB	11,645	
Less: deferred inflows of resources related to OPEB	<u>(53,527)</u>	474,539
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>609,884</u>
Net position of governmental activities (Exhibit A)		<u>\$ 42,308,426</u>

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

Exhibit C-3

Fentress 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	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>						
Local Taxes	\$ 5,830,218	\$ 1,180,958	\$ 29,343	\$ 459,251	\$ 0	\$ 7,499,770
Licenses and Permits	13,846	0	0	0	0	13,846
Fines, Forfeitures, and Penalties	61,681	0	0	0	169,511	231,192
Charges for Current Services	1,366,399	243,577	0	0	0	1,609,976
Other Local Revenues	302,148	99,290	106,205	59,015	5,850	572,508
Fees Received From County Officials	697,999	0	0	0	0	697,999
State of Tennessee	1,143,757	78,653	2,963,316	0	0	4,185,726
Federal Government	32,920	0	12,253	0	263,614	308,787
Other Governments and Citizens Groups	121,463	0	0	66,417	0	187,880
Total Revenues	\$ 9,570,431	\$ 1,602,478	\$ 3,111,117	\$ 584,683	\$ 438,975	\$ 15,307,684
<u>Expenditures</u>						
Current:						
General Government	\$ 1,141,096	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,141,096
Finance	918,798	0	0	0	0	918,798
Administration of Justice	634,118	0	0	0	0	634,118
Public Safety	3,218,615	0	0	0	172,433	3,391,048
Public Health and Welfare	1,683,831	1,464,283	0	0	0	3,148,114
Social, Cultural, and Recreational Services	327,384	0	0	0	2,522	329,906
Agriculture and Natural Resources	109,502	0	0	0	0	109,502
Other Operations	961,792	76,080	0	0	0	1,037,872
Highways	0	0	2,820,515	0	0	2,820,515
Debt Service:						
Principal on Debt	135,348	0	37,447	608,704	0	781,499
Interest on Debt	315,684	0	1,206	60,777	0	377,667
Other Debt Service	0	0	0	48,508	0	48,508

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 0	435,656	\$ 435,656
Total Expenditures	\$ 9,446,168	\$ 1,540,363	\$ 2,859,168	\$ 717,989	\$ 610,611	\$ 15,174,299
 Excess (Deficiency) of Revenues Over Expenditures	 \$ 124,263	 \$ 62,115	 \$ 251,949	 \$ (133,306)	 \$ (171,636)	 \$ 133,385
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	215,190	\$ 215,190
Insurance Recovery	7,410	52,500	0	0	0	59,910
Transfers In	0	0	0	11,165	20,000	31,165
Transfers Out	(20,000)	0	0	0	(11,165)	(31,165)
Total Other Financing Sources (Uses)	\$ (12,590)	\$ 52,500	\$ 0	\$ 11,165	\$ 224,025	\$ 275,100
 Net Change in Fund Balances	 \$ 111,673	 \$ 114,615	 \$ 251,949	 \$ (122,141)	 \$ 52,389	 \$ 408,485
Prior-period Adjustment - See Note I.D.9.	237,616	0	0	0	0	237,616
Fund Balance, July 1, 2018	2,382,783	804,004	527,998	2,447,246	58,082	6,220,113
 Fund Balance, June 30, 2019	 \$ 2,732,072	 \$ 918,619	 \$ 779,947	 \$ 2,325,105	 \$ 110,471	 \$ 6,866,214

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

Exhibit C-4

Fentress 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)		\$	408,485
(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	\$	781,775	
Less: current-year depreciation expense		(1,480,259)	(698,484)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.			
Add: assets donated and capitalized	\$	666,851	
Less: book value of capital assets disposed		(461,116)	205,735
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2019	\$	609,884	
Less: deferred delinquent property taxes and other deferred June 30, 2018		(1,028,622)	(418,738)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Add: principal payments on notes	\$	270,239	
Add: principal payments on other loans		375,912	
Add: capital lease principal payments		135,348	
Less: note proceeds		(215,190)	
Less: contributions from the school department for principal on debt		(59,085)	507,224
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(194,551)	
Change in postclosure care costs		(471)	
Change in net OPEB liability		20,305	
Change in deferred outflows related to OPEB		5,036	
Change in deferred inflows related to OPEB		(44,037)	
Change in compensated absences payable		(9,301)	
Change in net pension liability/asset		336,310	
Change in deferred outflows related to pensions		(153,520)	
Change in deferred inflows related to pensions		(144,041)	(184,270)
Change in net position of governmental activities (Exhibit B)		\$	(180,048)

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

Exhibit C-5

Fentress 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		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,830,218	\$ 0	\$ 0	\$ 5,830,218	\$ 5,999,088	\$ 5,997,088	\$ (166,870)
Licenses and Permits	13,846	0	0	13,846	13,800	13,800	46
Fines, Forfeitures, and Penalties	61,681	0	0	61,681	82,690	82,690	(21,009)
Charges for Current Services	1,366,399	0	0	1,366,399	1,316,700	1,328,871	37,528
Other Local Revenues	302,148	0	0	302,148	203,000	238,031	64,117
Fees Received From County Officials	697,999	0	0	697,999	717,500	697,500	499
State of Tennessee	1,143,757	0	0	1,143,757	1,150,959	1,138,511	5,246
Federal Government	32,920	0	0	32,920	600	33,520	(600)
Other Governments and Citizens Groups	121,463	0	0	121,463	100,000	101,000	20,463
Total Revenues	\$ 9,570,431	\$ 0	\$ 0	\$ 9,570,431	\$ 9,584,337	\$ 9,631,011	\$ (60,580)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 123,699	\$ 0	\$ 0	\$ 123,699	\$ 153,498	\$ 164,498	\$ 40,799
Board of Equalization	604	0	0	604	750	750	146
Beer Board	375	0	0	375	1,500	1,500	1,125
County Mayor/Executive	146,807	0	0	146,807	148,665	148,901	2,094
Personnel Office	42,602	0	0	42,602	45,423	44,098	1,496
Election Commission	234,895	0	0	234,895	235,477	236,508	1,613
Register of Deeds	167,666	0	0	167,666	171,696	171,696	4,030
Planning	15,727	0	0	15,727	13,750	17,432	1,705
County Buildings	403,768	(16,000)	16,500	404,268	447,561	467,359	63,091
Preservation of Records	4,953	0	0	4,953	5,799	5,799	846
<u>Finance</u>							
Accounting and Budgeting	288,665	0	0	288,665	298,539	299,865	11,200
Property Assessor's Office	171,715	0	0	171,715	175,630	175,630	3,915
Reappraisal Program	8,577	0	0	8,577	13,966	13,966	5,389
County Trustee's Office	195,613	0	0	195,613	196,277	196,277	664
County Clerk's Office	254,228	0	0	254,228	261,836	261,837	7,609

(Continued)

Exhibit C-5

Fentress 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		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 245,627	\$ 0	\$ 0	\$ 245,627	\$ 258,619	\$ 258,619	\$ 12,992
General Sessions Court	147,755	0	0	147,755	150,320	150,320	2,565
Chancery Court	144,501	0	0	144,501	150,406	150,926	6,425
Juvenile Court	22,593	0	0	22,593	26,107	26,107	3,514
Other Administration of Justice	26,897	0	0	26,897	27,700	27,700	803
Probation Services	46,745	0	0	46,745	51,715	51,715	4,970
<u>Public Safety</u>							
Sheriff's Department	1,418,246	0	0	1,418,246	1,408,969	1,447,925	29,679
Administration of the Sexual Offender Registry	1,500	0	0	1,500	4,100	4,100	2,600
Jail	1,369,066	0	1,095	1,370,161	1,458,982	1,458,982	88,821
Fire Prevention and Control	134,293	0	0	134,293	124,500	139,855	5,562
Civil Defense	53,475	0	2,000	55,475	56,536	62,936	7,461
Rescue Squad	27,000	0	0	27,000	27,000	27,000	0
Other Emergency Management	186,030	0	0	186,030	189,945	189,945	3,915
County Coroner/Medical Examiner	29,005	0	0	29,005	42,250	42,250	13,245
<u>Public Health and Welfare</u>							
Local Health Center	31,747	0	0	31,747	32,223	33,548	1,801
Ambulance/Emergency Medical Services	1,481,014	0	5,500	1,486,514	1,529,602	1,529,601	43,087
Other Local Health Services	124,647	0	0	124,647	154,920	154,920	30,273
Appropriation to State	34,423	0	0	34,423	35,213	35,213	790
General Welfare Assistance	0	0	0	0	1,000	1,000	1,000
Other Local Welfare Services	12,000	0	0	12,000	8,000	12,000	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	146,339	0	0	146,339	142,199	156,100	9,761
Libraries	157,045	0	0	157,045	158,498	162,593	5,548
Parks and Fair Boards	24,000	0	0	24,000	45,000	45,000	21,000
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	75,766	0	0	75,766	66,156	77,756	1,990
Soil Conservation	33,736	0	0	33,736	33,736	33,736	0

(Continued)

Exhibit C-5

Fentress 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		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations</u>							
Tourism	\$ 66,412	\$ 0	\$ 0	\$ 66,412	\$ 66,409	\$ 66,412	\$ 0
Industrial Development	15,658	0	0	15,658	37,500	37,500	21,842
Other Economic and Community Development	15,618	0	0	15,618	25,950	25,950	10,332
Veterans' Services	44,753	0	0	44,753	52,185	52,185	7,432
Contributions to Other Agencies	43,802	0	0	43,802	60,992	60,992	17,190
Miscellaneous	775,549	0	0	775,549	972,128	798,096	22,547
<u>Principal on Debt</u>							
General Government	135,348	0	0	135,348	0	135,348	0
<u>Interest on Debt</u>							
General Government	315,684	0	0	315,684	0	315,684	0
<u>Capital Projects</u>							
Other General Government Projects	0	0	0	0	0	32,000	32,000
Total Expenditures	\$ 9,446,168	\$ (16,000)	\$ 25,095	\$ 9,455,263	\$ 9,569,227	\$ 10,010,130	\$ 554,867
Excess (Deficiency) of Revenues Over Expenditures	\$ 124,263	\$ 16,000	\$ (25,095)	\$ 115,168	\$ 15,110	\$ (379,119)	\$ 494,287
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 7,410	\$ 0	\$ 0	\$ 7,410	\$ 0	\$ 12,874	\$ (5,464)
Transfers Out	(20,000)	0	0	(20,000)	0	(20,000)	0
Total Other Financing Sources	\$ (12,590)	\$ 0	\$ 0	\$ (12,590)	\$ 0	\$ (7,126)	\$ (5,464)
Net Change in Fund Balance	\$ 111,673	\$ 16,000	\$ (25,095)	\$ 102,578	\$ 15,110	\$ (386,245)	\$ 488,823
Prior-period Adjustment - See Note I.D.9.	237,616	0	0	237,616	0	0	0
Fund Balance, July 1, 2018	2,382,783	(16,000)	0	2,366,783	2,499,234	2,499,234	(132,451)
Fund Balance, June 30, 2019	\$ 2,732,072	\$ 0	\$ (25,095)	\$ 2,469,361	\$ 2,514,344	\$ 2,112,989	\$ 356,372

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

Exhibit C-6

Fentress County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,180,958	\$ 1,176,577	\$ 1,176,577	\$ 4,381
Charges for Current Services	243,577	228,795	228,795	14,782
Other Local Revenues	99,290	103,500	103,500	(4,210)
State of Tennessee	78,653	104,296	104,296	(25,643)
Total Revenues	<u>\$ 1,602,478</u>	<u>\$ 1,613,168</u>	<u>\$ 1,613,168</u>	<u>\$ (10,690)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 122,009	\$ 129,399	\$ 122,834	\$ 825
Sanitation Education/Information	8,215	8,500	8,500	285
Waste Pickup	225,861	249,861	240,076	14,215
Convenience Centers	414,005	426,046	429,462	15,457
Problem Waste Centers	4,402	4,800	4,800	398
Other Waste Collection	1,157	1,200	1,200	43
Recycling Center	262,489	285,963	277,287	14,798
Landfill Operation and Maintenance	422,187	400,000	432,790	10,603
Postclosure Care Costs	3,958	6,650	4,000	42
<u>Other Operations</u>				
Other Charges	75,664	84,500	76,554	890
Employee Benefits	416	900	900	484
Total Expenditures	<u>\$ 1,540,363</u>	<u>\$ 1,597,819</u>	<u>\$ 1,598,403</u>	<u>\$ 58,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 62,115</u>	<u>\$ 15,349</u>	<u>\$ 14,765</u>	<u>\$ 47,350</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 52,500	\$ 0	\$ 0	\$ 52,500
Total Other Financing Sources	<u>\$ 52,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,500</u>
Net Change in Fund Balance	\$ 114,615	\$ 15,349	\$ 14,765	\$ 99,850
Fund Balance, July 1, 2018	<u>804,004</u>	<u>598,058</u>	<u>598,058</u>	<u>205,946</u>
Fund Balance, June 30, 2019	<u>\$ 918,619</u>	<u>\$ 613,407</u>	<u>\$ 612,823</u>	<u>\$ 305,796</u>

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

Exhibit C-7

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 29,343	\$ 28,000	\$ 28,000	\$ 1,343
Other Local Revenues	106,205	50,000	50,000	56,205
State of Tennessee	2,963,316	3,776,649	3,776,649	(813,333)
Federal Government	12,253	50,000	50,000	(37,747)
Total Revenues	\$ 3,111,117	\$ 3,904,649	\$ 3,904,649	\$ (793,532)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 200,162	\$ 212,535	\$ 214,924	\$ 14,762
Highway and Bridge Maintenance	979,417	1,577,641	1,576,791	597,374
Operation and Maintenance of Equipment	484,101	494,324	514,634	30,533
Other Charges	95,553	97,510	98,252	2,699
Employee Benefits	50,583	79,000	79,000	28,417
Capital Outlay	1,010,699	1,640,276	1,599,106	588,407
<u>Principal on Debt</u>				
Highways and Streets	37,447	20,051	37,447	0
<u>Interest on Debt</u>				
Highways and Streets	1,206	23	1,206	0
Total Expenditures	\$ 2,859,168	\$ 4,121,360	\$ 4,121,360	\$ 1,262,192
Excess (Deficiency) of Revenues Over Expenditures	\$ 251,949	\$ (216,711)	\$ (216,711)	\$ 468,660
Net Change in Fund Balance	\$ 251,949	\$ (216,711)	\$ (216,711)	\$ 468,660
Fund Balance, July 1, 2018	527,998	527,997	527,997	1
Fund Balance, June 30, 2019	\$ 779,947	\$ 311,286	\$ 311,286	\$ 468,661

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 783,516
Accounts Receivable	3,742
Due from Other Governments	<u>140,673</u>
Total Assets	<u><u>\$ 927,931</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 140,673
Due to Litigants, Heirs, and Others	<u>787,258</u>
Total Liabilities	<u><u>\$ 927,931</u></u>

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

FENTRESS COUNTY, TENNESSEE

Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	32
B. Government-wide and Fund Financial Statements	33
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	34
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	36
2. Receivables and Payables	37
3. Restricted Assets	38
4. Capital Assets	38
5. Deferred Outflows/Inflows of Resources	39
6. Compensated Absences	40
7. Long-term Debt and Long-term Obligations	40
8. Net Position and Fund Balance	41
9. Prior-period Adjustment	43
E. Pension Plans	43
F. Other Postemployment Benefit (OPEB) Plans	43
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	44
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	44
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	45
B. Cash Shortages - Prior and Current Years	46
IV. Detailed Notes on All Funds	
A. Deposits and Investments	46
B. Notes Receivable	51
C. Capital Assets	52
D. Interfund Receivables, Payables, and Transfers	54
E. Capital Lease	55
F. Long-term Debt	56
G. Long-term Obligations	59
H. On-Behalf Payments	61
I. Short-term Debt	61
V. Other Information	
A. Risk Management	62
B. Accounting Changes	63
C. Contingent Liabilities	63
D. Changes in Administration	64
E. Landfill Postclosure Care Costs	64
F. Joint Venture	64
G. Retirement Commitments	65
H. Other Postemployment Benefits (OPEB)	87
I. Office of Central Accounting, Budgeting, and Purchasing	95
J. Purchasing Law	95
VI. Other Notes - Discretely Presented Industrial Development Board of Fentress County	96

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fentress 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 Fentress County:

A. Reporting Entity

Fentress County is a public municipal corporation governed by an elected ten-member board. As required by GAAP, these financial statements present Fentress County (the primary government) and its component units. The financial statements of the Fentress County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of this 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 Fentress County School Department operates the public school system in the county, and the voters of Fentress 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 Fentress County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Fentress County, and the Fentress 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 Fentress County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report. During the year ended June 30, 2019, the county appropriated an operating subsidy of \$186,030 to the district.

The Industrial Development Board of Fentress County provides assistance in industrial recruitment in Fentress County, and the county commission appoints its seven-member board. Fentress County substantially funds the Industrial Development Board through annual appropriations. During the year ended June 30, 2019, the county appropriated an operating subsidy of \$15,658 to the board.

The Fentress 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 Fentress County Emergency Communications District and the Industrial Development Board of Fentress County can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Fentress County Emergency Communications District
310 South Main
Jamestown, TN 38556

Industrial Development Board of Fentress County
114 Central Avenue West
Jamestown, TN 38556

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 Fentress 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 Fentress 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.

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

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

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

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

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

Fentress 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.

Solid Waste/Sanitation Fund – This special revenue fund accounts for transactions relating to the disposal of Fentress County’s solid waste. Local taxes and general service charges are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s highway department. 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, Fentress County reports the following fund types:

Capital Projects Funds – These funds account for resources collected for the capital facilities and public works projects within the county.

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 Fentress 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 Fentress County School Department reports the following major governmental funds:

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

Central Cafeteria Fund – This special revenue fund is used to account for the cafeteria operations in each of the schools. Grant funds and collections from food sales are the foundational revenues of this fund.

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

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 Fentress 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 and General Purpose School funds. Fentress 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 policies 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 policies 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 Pooled 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. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to .97 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 Circuit Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Most payables are disaggregated on the face of the financial statements.

3. 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 Fentress 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 Fentress County School Department to fund retirement benefits upon approval of the TCRS Board of Directors. To date, the Fentress 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.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are

reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Other Capital Assets	5 - 15
Infrastructure	20 - 75

5. **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for

reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, changes in investment earnings, changes in proportionate share of contributions, OPEB changes in experience, changes in assumptions, changes in proportionate share, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

6. Compensated Absences

Most offices and departments in Fentress County allow employees to earn vacation and sick leave benefits; however, there are several different methods used by county offices and departments regarding the accumulation of these benefits. All county offices, except the highway department, allow the unlimited accumulation of sick leave. The highway department does not offer sick leave to its employees. There is no liability for unpaid accumulated sick leave in the primary government since Fentress County does not have a policy to pay any amounts when employees separate from service with the government. The Fentress County School Department reports a liability for unpaid accumulated sick leave according to its policy to pay \$25 per accumulated sick leave day when employees separate from service with the school department.

Noncertified school department employees and some county offices allow employees to accumulate vacation days beyond year-end. The finance department, working together with the elected officials, is responsible for maintaining the balances of accumulated leave in accordance with the policies of the individual offices and departments of the county. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented school department. 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.

7. 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 are 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, other postemployment benefits, landfill postclosure care costs, and net pension liabilities are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. Net Position and Fund Balance

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2019, Fentress County had \$2,668,029 in outstanding debt for capital purposes for the discretely presented Fentress County School Department. This debt is a liability of Fentress County, but the capital assets acquired are reported in the financial statements of the school department. Therefore, Fentress 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 on 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 has by resolution authorized the county's finance committee to make assignments for the general government. The Board of Education makes assignments for the school department.

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

9. Prior-period Adjustment

A prior-period adjustment was posted to the General Fund to recognize a cash shortage of \$237,616 that occurred over a five-year period.

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 Fentress County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Fentress 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 Fentress 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 Fentress County. For this purpose, Fentress County recognizes benefit payments when due and payable in accordance with benefit terms. Fentress County's OPEB plan is not administered through a trust.

Discretely Presented Fentress 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 Fentress 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 Fentress 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 Fentress County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Executive, 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, Fentress County reported encumbrances in the following funds:

<u>Fund</u>	<u>Amount</u>
Primary Government:	
Major Fund:	
General	\$ 25,095
Nonmajor Fund:	
Other Special Revenue	159
School Department:	
Major Fund:	
General Purpose School	222,663

B. Cash Shortages – Prior and Current Years

On January 28, 2014, the Comptroller of the Treasury released an investigative audit report regarding misappropriation of funds at the Fentress County Public Library. The report revealed a cash shortage of \$40,217 resulting from the misappropriation of funds by the former library director. During the investigation, the former director deposited \$7,000 in personal funds to the library bank account, which left a shortage of \$33,217 at June 30, 2014. On September 25, 2014, the former library director pled guilty to theft of property and received ten years' probation. She was also ordered to pay restitution to the library with payments beginning in October 2014. The unpaid restitution, as of June 30, 2019, was \$7,285.

On September 4, 2019, the Comptroller of the Treasury released an investigative report related to the misappropriation of funds totaling \$239,681 from the Fentress County Finance Department (\$237,616) and the Kirby Jones Memorial Ballpark (\$2,065). Details of this cash shortage are discussed in the Schedule of Findings and Questioned Cost section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Fentress County and the Fentress 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.

The county had no pooled and nonpooled investments as of June 30, 2019.

TCRS Stabilization Trust

Legal Provisions. The Fentress 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 Fentress 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 Fentress 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	\$ 8,840
Developed Market International Equity	N/A	N/A	3,992
Emerging Market International Equity	N/A	N/A	1,141
U.S. Fixed Income	N/A	N/A	5,703
Real Estate	N/A	N/A	2,852
Short-term Securities	N/A	N/A	285
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>5,703</u>
Total			<u><u>\$ 28,516</u></u>

Investment by Fair Value Level	Fair Value Measurements Using				Amortized Cost
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Fair Value	6-30-19				NAV
U.S. Equity	\$ 8,840	\$ 8,840	\$ 0	\$ 0	0
Developed Market International Equity	3,992	3,992	0	0	0
Emerging Market International Equity	1,141	1,141	0	0	0
U.S. Fixed Income	5,703	0	5,703	0	0
Real Estate	2,852	0	0	2,852	0
Short-term Securities	285	0	285	0	0
Private Equity and Strategic Lending	<u>5,703</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,703</u>
Total	<u><u>\$ 28,516</u></u>	<u><u>\$ 13,973</u></u>	<u><u>\$ 5,988</u></u>	<u><u>\$ 2,852</u></u>	<u><u>\$ 5,703</u></u>

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 Fentress

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 Fentress 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. Fentress 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 Fentress 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. Notes Receivable

The General Purpose School Fund had long-term notes receivable of \$1,449 on June 30, 2019. These notes receivable are the result of agreements entered into with two individuals, a current employee and a former employee of the school department.

The school department entered into an agreement with an employee in which the department would pay for the employee's training as a speech therapist in return for a service commitment by the employee when the training was completed. The employee did not complete the training, and in accordance with the agreement, became liable for the costs incurred by the school department. The school department is deducting \$50 per pay period (\$1,200 annually) until the amount is repaid. The entire amount becomes due and payable if the employee leaves employment with the school department before payment is made in full. The balance on this note is \$32 at June 30, 2019.

A school employee resigned her position with the school department in December 2013. Following her resignation and after receiving all of the compensation due to her, this former employee received three additional payroll checks from Fentress County totaling \$3,850.12. Upon realizing the error, Fentress County contacted the employee and requested the funds be

returned. In February 2014, the county received \$1,238.38 from the former employee leaving a balance of \$2,566.74. The school department entered an agreement with this former employee to repay the remaining amount at the rate of \$25 per month beginning on March 15, 2014, and continuing through September 15, 2022. If for any reason a payment is missed or is late, the full balance becomes immediately payable. The balance on this note is \$1,417 at June 30, 2019.

C. 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	\$ 5,457,653	\$ 0	\$ 0	\$ 5,457,653
Construction in Progress	240,493	0	(240,493)	0
Total Capital Assets Not Depreciated	<u>\$ 5,698,146</u>	<u>\$ 0</u>	<u>\$ (240,493)</u>	<u>\$ 5,457,653</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 21,133,727	\$ 358,682	\$ (764,530)	\$ 20,727,879
Infrastructure	31,146,634	0	0	31,146,634
Other Capital Assets	5,745,458	1,330,437	(530,135)	6,545,760
Total Capital Assets Depreciated	<u>\$ 58,025,819</u>	<u>\$ 1,689,119</u>	<u>\$ (1,294,665)</u>	<u>\$ 58,420,273</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,167,145	\$ 407,715	\$ (380,681)	\$ 4,194,179
Infrastructure	7,180,102	638,472	0	7,818,574
Other Capital Assets	4,150,755	434,072	(452,868)	4,131,959
Total Accumulated Depreciation	<u>\$ 15,498,002</u>	<u>\$ 1,480,259</u>	<u>\$ (833,549)</u>	<u>\$ 16,144,712</u>
Total Capital Assets Depreciated, Net	<u>\$ 42,527,817</u>	<u>\$ 208,860</u>	<u>\$ (461,116)</u>	<u>\$ 42,275,561</u>
Governmental Activities Capital Assets, Net	<u>\$ 48,225,963</u>	<u>\$ 208,860</u>	<u>\$ (701,609)</u>	<u>\$ 47,733,214</u>

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

Governmental Activities:

General Government	\$	23,843
Administration of Justice		88,109
Public Safety		395,158
Public Health and Welfare		237,965
Social, Cultural, and Recreational Services		40,728
Agriculture and Natural Resources		1,670
Highways/Public Works		<u>692,786</u>

Total Depreciation Expense - Governmental Activities	\$	<u>1,480,259</u>
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Discretely Presented Fentress County School Department**Governmental Activities:**

	Balance 7-1-18	Increases	Balance 6-30-19
Capital Assets Not Depreciated:			
Land	\$ 411,763	\$ 0	\$ 411,763
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets Not Depreciated	<u>\$ 411,763</u>	<u>\$ 0</u>	<u>\$ 411,763</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 19,652,904	\$ 0	\$ 19,652,904
Other Capital Assets	<u>3,774,823</u>	<u>219,811</u>	<u>3,994,634</u>
Total Capital Assets Depreciated	<u>\$ 23,427,727</u>	<u>\$ 219,811</u>	<u>\$ 23,647,538</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 7,399,430	\$ 479,549	\$ 7,878,979
Other Capital Assets	<u>2,253,679</u>	<u>234,843</u>	<u>2,488,522</u>
Total Accumulated Depreciation	<u>\$ 9,653,109</u>	<u>\$ 714,392</u>	<u>\$ 10,367,501</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,774,618</u>	<u>\$ (494,581)</u>	<u>\$ 13,280,037</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,186,381</u>	<u>\$ (494,581)</u>	<u>\$ 13,691,800</u>

There were no decreases in capital assets to report during the year ended June 30, 2019.

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

Governmental Activities:

Instruction	\$ 556,587
Support Services	148,067
Operation of Non-instructional Services	<u>9,738</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 714,392</u></u>

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	\$ 23,435
Discretely Presented School Department:		
Nonmajor governmental	General Purpose School	30,012

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 Unit:

Receivable	Payable	Amount
	Component Unit:	
Primary Government:	School Department:	
Governmental Activities	Governmental Activities	152,029

The Due to Primary Government is the balance of notes (\$140,073) and other loans (\$11,956) issued by the county for the school department. The school department has agreed to contribute the funds annually to retire these debt obligations. These long-term obligations are reflected in the governmental activities on the Statement of Net Position.

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In		Purpose
	Nonmajor Governmental Fund	General Debt Service Fund	
General Fund	\$ 20,000	\$ 0	Operations
Nonmajor government fund	0	11,165	Debt Repayment
Total	<u>\$ 20,000</u>	<u>\$ 11,165</u>	

Discretely Presented Fentress County School Department

Transfer Out	Transfer In		Purpose
	General Purpose School Fund		
Nonmajor government fund	\$	17,972	Indirect costs

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. Capital Lease

On November 17, 2016, Fentress County entered into a 36-year lease purchase agreement for the justice center. The terms of the agreement require total lease payments of \$9,276,656 plus interest of 3.5 percent. Title to the justice center transfers to Fentress County at the end of the lease period. The lease payments are being made from the General Fund.

The asset acquired through the capital lease is as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Buildings	\$ 11,747,890
Less: Accumulated Depreciation	<u>(703,743)</u>
Total Book Value	<u>\$ 11,044,147</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2020	\$ 451,032
2021	451,032
2022	451,032
2023	451,032
2024	451,032
2025-2029	2,255,160
2030-2034	2,255,160
2035-2039	2,255,160
2040-2044	2,255,160
2045-2049	2,255,160
2050-2053	<u>1,799,453</u>
Total Minimum Lease Payments	\$ 15,330,413
Less: Amount Representing Interest	<u>(6,446,225)</u>
Present Value of Minimum Lease Payments	<u>\$ 8,884,188</u>

F. Long-term Debt

Primary Government

General Obligation Notes and Other Loans

Direct Borrowing and Direct Placements - Fentress 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 25 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 and Highway /Public Works funds.

Capital outlay notes, other loans, and capital leases 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
Direct Borrowing and Direct Placement:				
Capital Outlay Notes	2.2 to 4 %	4-15-22	\$ 692,625	\$ 337,866
Other Loans	variable	5-25-26	7,000,000	2,734,000
Other Loans	0	3-1-20	111,406	11,956
Capital Leases	3.5	11-17-52	9,276,656	8,884,188

In prior years, Fentress County entered into two loan agreements with the Montgomery County Public Building Authority. Under these agreements, the authority loaned funds to Fentress County for the construction of an elementary school (\$6,000,000) and for various public works projects (\$1,000,000). The loans are repayable at tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2019, the variable interest rate for each loan was 1.78 percent, and other fees totaled approximately 1.2 percent (letter of credit), .08 percent (remarketing) of the outstanding loan principal, and the trustee fee was \$85 per month.

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

Year Ending June 30	Notes - Direct Placement		
	Principal	Interest	Total
2020	\$ 115,433	\$ 9,393	\$ 124,826
2021	118,808	6,017	124,825
2022	103,625	2,562	106,187
Total	<u>\$ 337,866</u>	<u>\$ 17,972</u>	<u>\$ 355,838</u>

Year Ending June 30	Other Loans - Direct Placement			
	Principal	Interest	Other Fees	Total
2020	\$ 389,956	\$ 48,665	\$ 37,035	\$ 475,656
2021	397,000	41,937	32,197	471,134
2022	417,000	34,870	27,115	478,985
2023	358,000	27,448	20,758	406,206
2024	376,000	21,075	16,175	413,250
2025-2026	808,000	21,751	17,681	847,432
Total	<u>\$ 2,745,956</u>	<u>\$ 195,746</u>	<u>\$ 150,961</u>	<u>\$ 3,092,663</u>

There is \$2,325,105 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes, other loans, and capital leases totaled \$666, based on the 2010 federal census.

The school department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the school department and as Due from Component Units in the financial statements of the primary government.

Description of Debt	Outstanding 6-30-19
<u>Notes Payable - Direct Placement</u>	
<u>Contributions from the General Purpose School Fund</u>	
School Roof Projects	\$ 140,073
<u>Other Loans Payable - Direct Placement</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Efficient Schools Initiative Loans	<u>11,956</u>
Total	<u>\$ 152,029</u>

Changes in Long-term Debt

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

Governmental Activities:

	Notes - Direct Placement	Other Loans - Direct Placement	Capital Leases - Direct Placement
Balance, July 1, 2018	\$ 392,915	\$ 3,121,868	\$ 9,019,536
Additions	215,190	0	0
Reductions	(270,239)	(375,912)	(135,348)
Balance, June 30, 2019	<u>\$ 337,866</u>	<u>\$ 2,745,956</u>	<u>\$ 8,884,188</u>
Balance Due Within One Year	<u>\$ 115,433</u>	<u>\$ 389,956</u>	<u>\$ 140,085</u>

Analysis of Noncurrent Liabilities for Debt Presented on Exhibit A:

Total Noncurrent Liabilities - Debt, June 30, 2019	\$ 11,968,010
Less: Balance Due Within One Year - Debt	<u>(645,474)</u>

Noncurrent Liabilities - Due in More Than One Year - Debt - Exhibit A	<u>\$ 11,322,536</u>
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G. 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	Net Pension Liability - Agent Plan
Balance, July 1, 2018	\$ 424,110	\$ 186,173	\$ 904,034
Additions	392,094	36,143	1,212,576
Reductions	(382,793)	(56,448)	(1,548,886)
Balance, June 30, 2019	<u>\$ 433,411</u>	<u>\$ 165,868</u>	<u>\$ 567,724</u>
Balance Due Within One Year	<u>\$ 216,708</u>	<u>\$ 0</u>	<u>\$ 0</u>

	Landfill Postclosure Care Costs
Balance, July 1, 2018	\$ 196,531
Additions	4,429
Reductions	(3,958)
	<hr/>
Balance, June 30, 2019	\$ 197,002
	<hr/>
Balance Due Within One Year	\$ 13,528
	<hr/>

Analysis of Other Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2019	\$ 1,364,005
Less: Balance Due Within One Year - Other	(230,236)
	<hr/>
Noncurrent Liabilities - Due in More Than One Year - Other - Exhibit A	\$ 1,133,769
	<hr/>

Compensated absences will be paid from the employing funds, primarily the General and Solid Waste/Sanitation funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Fentress County School Department

Changes in Long-term Obligations

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

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2018	\$ 426,147	\$ 3,530,059
Additions	132,312	366,473
Reductions	(116,269)	(1,394,031)
	<hr/>	<hr/>
Balance, June 30, 2019	\$ 442,190	\$ 2,502,501
	<hr/>	<hr/>
Balance Due Within One Year	\$ 176,875	\$ 0
	<hr/>	<hr/>

Analysis of Other Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2019	\$ 2,944,691
Less: Balance Due Within One Year - Other	<u>(176,875)</u>
Noncurrent Liabilities - Due in More Than One Year - Other - Exhibit A	<u>\$ 2,767,816</u>

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

H. On-Behalf Payments - Discretely Presented Fentress County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Fentress County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2019, were \$79,630 and \$42,015, respectively. The school department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Fentress County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet debt service payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2019, was as follows:

	Balance 7-1-18	Issued	Paid	Balance 6-30-19
Tax Anticipation Notes	\$ 0	\$ 143,363	\$ (143,363)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Fentress County

The county is exposed to various risks related to general liability, property, and casualty losses. During 2019, the county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. 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, and casualty 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 settled three claims totaling \$300,000 during the year.

The county continues to carry commercial insurance for workers' compensation. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Discretely Presented Fentress County School Department

The discretely presented Fentress County School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The school department pays an annual premium to the TN-RMT for its general liability, property, and casualty insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

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, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 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, Fentress 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. Contingent Liabilities

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. Changes in Administration

On July 24, 2018, the Financial Management Committee selected Tyler Arms as the Finance Director.

County Executive J. Michael Cross, Road Supervisor Scott Norris, and Trustee Wanda Tompkins left office on August 31, 2018, and were succeeded by Jimmy Johnson, Joe Reagan, and Angie Sweet, respectively, effective September 1, 2018.

E. Landfill Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Fentress County closed its landfill on July 27, 1994, and has contracted with Scott County for its waste disposal. The Solid Waste/Sanitation Fund (special revenue fund) reports postclosure care costs as expenditures in each period in which they are incurred. The \$197,002 reported as landfill postclosure care liability at June 30, 2019, represents estimated postclosure care costs based on the use of 100 percent of the landfill's capacity. Actual costs may vary from estimates due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

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

Administrative Office:

Eighth Judicial District Drug Task Force
P.O. Box 10
Huntsville, TN 37756

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Fentress County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (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	57
Inactive Employees Entitled to But Not Yet Receiving Benefits	196
Active Employees	<u>168</u>
Total	<u><u>421</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Fentress 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 was \$329,163 based on a rate of 6.02 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fentress 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)

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

Actuarial Assumptions. The total pension liability as of the June 30, 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 Developed Market	5.69	%	31	%
International Equity Emerging Market	5.29		14	
International Equity Private Equity and Strategic Lending	6.36		4	
U.S. Fixed Income	5.79		20	
Real Estate	2.01		20	
Short-term Securities	4.32		10	
	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 Fentress 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	\$ 10,169,333	\$ 9,265,299	\$ 904,034
Changes for the Year:			
Service Cost	\$ 443,393	\$ 0	\$ 443,393
Interest	753,832	0	753,832
Differences Between Expected and Actual Experience	(184,202)	0	(184,202)
Changes in Assumptions	0	0	0
Contributions-Employer	0	322,100	(322,100)
Contributions-Employees	0	267,525	(267,525)
Net Investment Income	0	775,059	(775,059)
Benefit Payments, Including Refunds of Employee Contributions	(430,075)	(430,075)	0
Administrative Expense	0	(15,351)	15,351
Other Changes	0	0	0
Net Changes	\$ 582,948	\$ 919,258	\$ (336,310)
Balance, June 30, 2018	\$ 10,752,281	\$ 10,184,557	\$ 567,724

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Fentress 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 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Fentress County			
Net Pension Liability	\$ 2,057,661	\$ 567,724	\$ (653,940)

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

Pension Expense. For the year ended June 30, 2019, Fentress County recognized pension expense of \$290,240.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, Fentress 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	\$ 277,248	\$ 205,212
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	46,639
Changes in Assumptions	161,861	0
Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	329,163	N/A
Total	<u>\$ 768,272</u>	<u>\$ 251,851</u>

- (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.

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	\$ 140,051
2021	124,181
2022	(45,793)
2023	(471)
2024	(30,700)
Thereafter	0

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

Discretely Presented Fentress County School Department

Non-certified Employees

Plan Description. Non-Certified employees of the discretely presented Fentress 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 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	71
Inactive Employees Entitled to But Not Yet Receiving Benefits	191
Active Employees	<u>145</u>
Total	<u><u>407</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Fentress County School Department 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 was \$184,147 based on a rate of 7.53 percent of covered. By law, employer contributions are required to be paid. The TCRS may intercept The school department'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)

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

Actuarial Assumptions. The total pension liability as of the June 30, 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 the school

department 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	\$ 7,474,573	\$ 7,849,111	\$ (374,538)
Changes for the Year:			
Service Cost	\$ 226,917	\$ 0	\$ 226,917
Interest	544,931	0	544,931
Differences Between Expected and Actual Experience	(40,731)	0	(40,731)
Changes in Assumptions	0	0	0
Contributions-Employer	0	167,179	(167,179)
Contributions-Employees	0	111,453	(111,453)
Net Investment Income	0	647,136	(647,136)
Benefit Payments, Including Refunds of Employee Contributions	(370,397)	(370,397)	0
Administrative Expense	0	(13,945)	13,945
Other Changes	0	0	0
Net Changes	\$ 360,720	\$ 541,426	\$ (180,706)
Balance, June 30, 2018	\$ 7,835,293	\$ 8,390,537	\$ (555,244)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Fentress County School Department 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 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
School Department	6.25%	7.25%	8.25%

Net Pension Liability \$ 411,289 \$ (555,244) \$ (1,357,829)

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

Pension Expense. For the year ended June 30, 2019, Fentress County School Department recognized (negative) pension expense of (\$41,847).

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, Fentress County 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	\$ 93,737	\$ 406,671
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	32,133
Changes in Assumptions	95,485	0
Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	184,147	N/A
Total	<u>\$ 373,369</u>	<u>\$ 438,804</u>

- (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.

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	\$ (41,791)
2021	(38,370)
2022	(153,036)
2023	(16,381)
2024	0
Thereafter	0

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

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Fentress 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 \$34,533, which is 1.94 percent of covered payroll. In addition, employer contributions of \$27,076, which is 2.06 percent of covered payroll were made to the Pension Stabilization Reserve Trust Fund to fund future pension costs. The employer rate, when combined with member contributions and the stabilization reserve trust funds, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2019, the school department reported a liability (asset) of (\$66,465) 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 (asset) 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 .146550 percent. The proportion as of June 30, 2017, was .167974 percent.

Pension Expense. For the year ended June 30, 2019, the school department recognized pension expense of \$23,147.

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	\$ 3,764	\$ 2,647
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,754
Changes in Assumptions	3,136	0
Changes in Proportion of Net Pension Liability (Asset)	7,091	1,360
LEA's Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	34,533	N/A
Total	\$ 48,524	\$ 7,761

The school department's employer contributions of \$34,533, 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	\$ (37)
2021	(156)
2022	(691)
2023	290
2024	790
Thereafter	6,034

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 Developed Market	5.69	%	31	%
International Equity Emerging Market	5.29		14	
International Equity Private Equity and Strategic Lending	6.36		4	
U.S. Fixed Income	5.79		20	
Real Estate	2.01		20	
Short-term Securities	4.32		10	
	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 percent) or one percentage point higher (8.25 percent) 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%
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Net Pension Liability	\$	10,275	\$	(66,465)	\$	(123,004)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Fentress 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 Fentress County School Department for the year ended June 30, 2019, to the Teacher Legacy Pension Plan were \$799,960, which is 10.45 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 (\$782,363) 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 .222331 percent. The proportion measured at June 30, 2017, was .220965 percent.

Pension Expense. For the year ended June 30, 2019, the school department recognized (negative) pension expense of (\$227,094).

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	\$ 158,142	\$ 1,055,470
Changes in Assumptions	462,068	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	170,275
Changes in Proportion of Net Pension Liability (Asset)	27,579	27,570
LEA's Contributions Subsequent to the Measurement Date of June 30, 2018	799,960	N/A
Total	<u>\$ 1,447,749</u>	<u>\$ 1,253,315</u>

The school department's employer contributions of \$799,960 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	\$ 158,141
2021	(252,988)
2022	(439,279)
2023	(71,399)
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 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 Developed Market	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 percent) or one percentage point higher (8.25 percent) 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%
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Net Pension Liability	\$	6,030,950	\$	(782,363)	\$	(6,419,431)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

2. **Deferred Compensation**

Fentress County offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). The school department offers its employees a deferred compensation plan established pursuant to IRC Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The 401(k) and 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 401(k) and 457 establish participation, contribution, and withdrawal provisions for the plan.

Teachers hired after July 1, 2014, by the school department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion, which is placed into the state's 401(k) plan and is managed by the employee. The defined contribution portion of the plan requires that the school department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year the school department contributed \$74,268 and teachers contributed \$41,220 to this deferred compensation pension plan.

H. Other Postemployment Benefits (OPEB)

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

Retirees of Fentress County are provided healthcare under separate Local Government Plans (LGPs) until they reach Medicare eligibility. Likewise, the school department provides healthcare benefits to its employees under the Local Education Plan (LEP) until they reach Medicare eligibility. Certified and noncertified employees of the school department may then join the Tennessee Plan - Medicare (TNM) which provides supplemental medical insurance for retirees with Medicare. However, the Fentress County School Department does not provide premium support for teachers in the TNM plan.

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

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

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2018, TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.62%
Healthcare Cost Trend Rates	LGP and LEP: Based on the Getzen Model, with trend starting at 6.75% for the 2019 calendar year, and gradually decreasing over a 32-year period to an ultimate trend rate of 3.53% with an amount added to approximate the effect of the excise tax (.28% for LGP and .32% for LEP)
Retirees Share of Benefit Related Cost	Discussed under each plan

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

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuations were the same as those employed in the July 1, 2018, Pension Actuarial Valuation of the 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.

Closed Local Government OPEB Plan (Primary Government)

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

Benefits Provided. Fentress County offers the LGP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired

plan members, of the LGP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Fentress County does not provide a direct subsidy and is only subject to the implicit subsidy.

Employees Covered by Benefit Terms

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

	<u>Fentress County</u>
Retirees and Beneficiaries	1
Inactive, Nonretired Members	0
Active Members Eligible for Future Benefits	130
Active Members Not Eligible for Future Benefits	<u>15</u>
Total	<u><u>146</u></u>

An insurance committee, created in accordance with *TCA 8-27-701*, establishes the required payments to the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2019, the county paid \$2,215 to the LGP for OPEB benefits as they came due.

Changes in the Total OPEB Liability

	<u>Fentress County</u>
Balance July 1, 2017	<u>\$ 186,173</u>
Changes for the Year:	
Service Cost	\$ 18,540
Interest	7,170
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	(49,839)
Changes in Assumption and Other Inputs	10,433
Benefit Payments	<u>(6,609)</u>
Net Changes	<u>\$ (20,305)</u>
Balance June 30, 2018	<u><u>\$ 165,868</u></u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the county recognized OPEB expense of \$20,911. At June 30, 2019, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 0	\$ 45,047
Changes of Assumptions/Inputs	9,430	8,480
Net Difference Between Projected and Benefits paid after the Measurement Date of June 30, 2018	<u>2,215</u>	<u>0</u>
Total	<u><u>\$ 11,645</u></u>	<u><u>\$ 53,527</u></u>

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	Total Amount
2020	\$ (4,799)
2021	(4,799)
2022	(4,799)
2023	(4,799)
2024	(4,799)
Thereafter	(20,102)

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

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

	1% Decrease 2.62%	Current Discount Rate 3.62%	1% Increase 4.62%
Total OPEB Liability	\$ 181,875	\$ 165,868	\$ 151,055

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

	1% Decrease 5.75 to 2.81%	Current Trend Rates 6.75 to 3.81%	1% Increase 7.75 to 4.81%
Total OPEB Liability	\$ 143,009	\$ 165,868	\$ 193,481

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

Plan Description. Employees of the Fentress 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 Fentress 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. Fentress County does not provide a direct subsidy and is only subject to the implicit subsidy. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retiree’s premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP.

Employees Covered by Benefit Terms

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

	<u>School Department</u>
Retirees and Beneficiaries	24
Inactive, Nonretired Members	0
Active Members Eligible for Future Benefits	224
Active Members Not Eligible for Future Benefits	<u>36</u>
Total	<u><u>284</u></u>

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 \$167,401 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	Share of Collective Liability		
	Fentress County School Department 68.8035%	State of TN 31.1965%	Total OPEB Liability
Balance July 1, 2017	\$ 3,530,059	\$ 1,254,535	\$ 4,784,594
Changes for the Year:			
Service Cost	\$ 172,920	\$ 78,405	\$ 251,325
Interest	119,262	54,075	173,337
Changes in Benefit Terms	(574,895)	(260,665)	(835,560)
Difference between Expected and Actuarial Experience	(351,364)	(159,313)	(510,677)
Changes in Assumption and Other Inputs	74,291	(159,313)	107,975
Benefit Payments	(229,682)	(159,313)	(333,823)
Change in Proportionate Share	(238,091)	238,091	0
Net Changes	\$ (1,027,558)	\$ (368,035)	\$ (1,147,423)
Balance June 30, 2018	\$ 2,502,501	\$ 886,500	\$ 3,637,171

The Fentress 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 Fentress County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The school department is required by GASB Statement No. 75 to recognized revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for school department employees. The amount of the subsidy is equal to the nonemployer share of collective OPEB expenses. During the year, collective OPEB expenses for Fentress County School employees was negative. Consequently, Fentress County has recorded the negative collective OPEB expense (\$468,609) for the nonemployer share of the collective OPEB expense.

During the year, the Fentress County School Department's proportionate share of the collective OPEB liability was 68.8035% and the State of Tennessee's share was 31.1965%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the school department recognized negative OPEB expense of \$468,609, including the state's share of the expense of \$123,715. 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	\$ 318,830
Changes of Assumptions/Inputs	67,412	115,233
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	220,255
Benefits Paid After the Measurement Date of June 30, 2018	167,401	0
Total	<u>\$ 234,813</u>	<u>\$ 654,318</u>

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	\$ (62,182)
2021	(39,707)
2022	(39,707)
2023	(39,707)
2024	(39,707)
Thereafter	(168,115)

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.

<u>Discount Rate</u>	1% Decrease 2.62%	Current Discount Rate 3.62%	1% Increase 4.62%
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Proportionate Share of the Collective Total OPEB Liability	\$ 2,683,848	\$ 2,502,501	\$ 2,329,018
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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.

<u>Healthcare Cost Trend Rate</u>	1% Decrease 5.75 to 2.85%	Curent Rates 6.75 to 3.85%	1% Increase 7.75 to 4.85%
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Proportionate Share of the Collective Total OPEB Liability	\$ 2,228,709	\$ 2,502,501	\$ 2,824,791
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I. Office of Central Accounting, Budgeting, and Purchasing

Fentress 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.

J. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by her to serve as the county purchasing agent. The finance director serves as the purchasing agent for Fentress County. All purchase orders are issued by the finance department. Purchases exceeding \$10,000 are required to be competitively bid.

VI. **OTHER NOTES – DISCRETELY PRESENTED INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY**

A. **Organization**

The Industrial Development Board of Fentress County (IDB) was incorporated December 27, 1978. The purpose of the IDB is to do business as an industrial development corporation as prescribed by Chapter 210 of the Public Act of 1955, as codified in 6-2801, et seq. *Tennessee Code Annotated*, and as amended by Chapter 222, Public Act of 1959. The IDB is a component unit of Fentress County, Tennessee. The directors are elected by the governing body of Fentress County. The IDB must file a budget with Fentress County each year. Upon dissolution, the title to all funds and properties owned by the IDB at that time shall become the property of Fentress County. In the governmental fund financial statements, the board considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year. Program revenues consist of rental income, operating and capital grants and contributions.

B. **Government-wide Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report the governmental activities of the Industrial Development Board of Fentress County. The governmental activities are reported on the economic resources measurement focus on the accrual basis of accounting.

C. **Fund Financial Statements**

To ensure observance of limitations and restrictions placed on the use of resources available to the Industrial Development Board of Fentress County, the accounts of the board are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. The measurement focus of governmental fund accounting is on expenditures rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred.

Fund Balances

Nonspendable Fund Balance

- Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses.

Restricted Fund Balance

- Fund balances reported as restricted are the result of externally imposed restrictions placed upon certain resources accounted for in the restricted funds. This includes grant funds.
- When both restricted and unrestricted resources are available for use, it is the board's policy to use restricted resources first, then unrestricted resources as they are needed.

Assigned Fund Balance

- Amounts that are constrained by the board's intent to be used for specific purposes are reflected as assigned in the accompanying financial statements.

Unassigned Fund Balance

- This classification represents fund balance that is not restricted and has not been assigned to specific purposes.
- When both assigned and unassigned resources are available for use, it is the board's policy to use assigned resources first, then unassigned resources as they are needed.

D. Capital Assets and Depreciation

The board's property, plant, and equipment with useful lives of more than one year are stated at historical cost. The capital assets purchased in the current year are reported in the fund financial statements as expenditures in the current year. Donated assets are stated at fair value on the date donated. The board generally capitalizes assets that have a cost of over \$500 and have a useful life of more than one year.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. All capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

E. Subsequent Events

The board has evaluated subsequent events through the date in which the financial statements were available to be issued.

F. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The organization's cash at June 30, 2019, was maintained as follows: the operating fund, the development fund and the justice center fund were maintained in separate checking accounts.

G. Compensated Absences

The board has no employees; therefore, compensated absences are not accrued in the financial statements.

H. Property, Plant, and Equipment

The following is a schedule of property as of June 30, 2019:

	Balance 7-1-18	Increases	Decreases	Balance 6-30-19
Capital Assets Not Depreciated:				
Land	\$ 1,002,090	\$ 0	\$ 0	\$ 1,002,090
Construction in Progress	37,300	0	(37,300)	0
Total Capital Assets Not Depreciated	\$ 1,039,390	\$ 0	\$ (37,300)	\$ 1,002,090
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,154,009	\$ 15,240	\$ (15,240)	\$ 2,154,009
Waterlines	523,911	551,607	0	1,075,518
Office Equipment	5,120	0	0	5,120
Total Capital Assets Depreciated	\$ 2,683,040	\$ 566,847	\$ (15,240)	\$ 3,234,647
Total Assets	\$ 3,722,430	\$ 566,847	\$ (52,540)	\$ 4,236,737

The following is a schedule of accumulated depreciation as of June 30, 2019:

	Accumulated Depreciation			Accumulated Depreciation		
	7-1-18	Increases	Decreases	6-30-19		
Capital Assets:						
Buildings and						
Improvements	\$ 584,221	\$ 53,850	\$ 0	\$ 638,071		
Waterlines	111,331	13,098	0	124,429		
Office Equipment	0	1,024	0	1,024		
Total Accumulated						
Depreciation	\$ 695,552	\$ 67,972	\$ 0	\$ 763,524		

I. Cash in Bank

Tennessee Code Annotated (TCA) requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105 percent of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2019, the carrying amount of the board's cash deposits was \$257,330. All cash deposits are covered by the Federal Deposit Insurance Corporation up to the limit of \$250,000. The amount over \$250,000, if any, is collateralized by the governmental collateral pool of which First Volunteer Bank is a member. The board is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*. [Acts 1992, ch. 891, section 10].

J. Budget

The director of the board and staff compile the budget. It is then brought before the city and county for approval. Changes made by the city or county are not reflected in the budget. This is a non-appropriated budget used for guidance only and is not legally binding.

K. Risk

The board maintains general liability and property insurance on buildings. There have been no claims or settlement that exceeded coverage during the prior three years.

L. Contract Management Fees

S3 Consulting provides management services for the board and is paid monthly. The owner of S3 Consulting is a prior board member and officer. The total amount of management fees for the year ended June 30, 2019, was \$33,210.

M. Loans

Beginning October 23, 2013, the board began receiving funds from a USDA construction loan to build a justice center in Jamestown, Tennessee. USDA approved this project for \$9,500,000. As of June 30, 2019, the balance of the loan was \$8,884,187.

Payments are due annually per the following schedule.

Year	Principal	Interest	Total	Balance
2020	\$ 140,086	\$ 310,946	\$ 451,032	\$ 8,744,101
2021	144,988	306,044	451,032	8,599,113
2022	150,063	300,969	451,032	8,449,050
2023	155,315	295,717	451,032	8,293,735
2024	160,751	290,281	451,032	8,132,984
2025-2029	892,194	1,362,966	2,255,160	7,240,790
2030-2034	1,059,647	1,195,513	2,255,160	6,181,143
2035-2039	1,258,528	996,632	2,255,160	4,922,615
2040-2044	1,494,736	760,424	2,255,160	3,427,879
2045-2049	1,775,278	479,882	2,255,160	1,652,601
2050-2053	1,652,601	146,851	1,799,452	0
Total	<u>\$ 8,884,187</u>	<u>\$ 6,446,225</u>	<u>\$ 15,330,412</u>	

A schedule of changes in long-term debt is as follows:

Description	6-30-18 Balance	Additions	Principal Payments	6-30-19 Balance	Due in One Year
USDA Loan	<u>\$ 9,019,536</u>	<u>\$ 0</u>	<u>\$ (135,349)</u>	<u>\$ 8,884,187</u>	<u>\$ 140,085</u>
Total	<u>\$ 9,019,536</u>	<u>\$ 0</u>	<u>\$ (135,349)</u>	<u>\$ 8,884,187</u>	<u>\$ 140,085</u>

N. Long-term Lease Receivable

Fentress County leases the justice center in Jamestown, Tennessee, that was completed in November 2016 and pays lease income to the board under a capital lease. As of June 30, 2019, the balance of the lease was \$8,884,187. Future minimum lease payments are as follows:

Year	Principal	Interest	Total	Balance
2020	\$ 140,086	\$ 310,946	\$ 451,032	\$ 8,744,101
2021	144,988	306,044	451,032	8,599,113
2022	150,063	300,969	451,032	8,449,050
2023	155,315	295,717	451,032	8,293,735
2024	160,751	290,281	451,032	8,132,984
2025-2029	892,194	1,362,966	2,255,160	7,240,790
2030-2034	1,059,647	1,195,513	2,255,160	6,181,143
2035-2039	1,258,528	996,632	2,255,160	4,922,615
2040-2044	1,494,736	760,424	2,255,160	3,427,879
2045-2049	1,775,278	479,882	2,255,160	1,652,601
2050-2053	<u>1,652,601</u>	<u>146,851</u>	<u>1,799,452</u>	0
Total	<u>\$ 8,884,187</u>	<u>\$ 6,446,225</u>	<u>\$ 15,330,412</u>	

A schedule of changes in the long-term lease receivable is as follows:

Description	6-30-18 Balance	Additions	Principal Payments	6-30-19 Balance	Due in One Year
Justice Center	<u>\$ 9,019,536</u>	<u>\$ 0</u>	<u>\$ (135,349)</u>	<u>\$ 8,884,187</u>	<u>\$ 140,085</u>
Total	<u><u>\$ 9,019,536</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (135,349)</u></u>	<u><u>\$ 8,884,187</u></u>	<u><u>\$ 140,085</u></u>

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

Assured Guaranty Municipal Corp.

BOND INSURANCE

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 as an exhibit to this Official Statement.

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

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 July 16, 2020, 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 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 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 “BOND INSURANCE – 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 “BOND INSURANCE”.



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

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