

**NEW ISSUE**  
**Book-Entry-Only**

# **PRELIMINARY OFFICIAL STATEMENT**

**\$22,000,000\***

## **BRADLEY COUNTY, TENNESSEE** **General Obligation Refunding Bonds, Series 2019**

OFFERED FOR SALE NOT SOONER THAN

Tuesday, April 30, 2019 at 10:15 a.m., E.D.T.  
Through the Facilities of **PARITY**<sup>®</sup>

at the  
**OFFICES OF**  
**Cumberland Securities Company, Inc.**  
**Knoxville, Tennessee**

**Cumberland Securities Company, Inc.**  
Municipal Advisor

April 18, 2019

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 18, 2019**

*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.)*

**\$22,000,000\***

**BRADLEY COUNTY, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2019**

Dated: Date of delivery (assume May 31, 2019).

Due: June 1 (as shown below)

The \$22,000,000\* General Obligation Refunding Bonds, Series 2019 (the “Bonds”) of Bradley County, Tennessee (the “County” or the “Issuer”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2019 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2020	\$ 1,035,000				2025	\$ 2,185,000			
2021	3,195,000				2026	-			
2022	1,940,000				2027	3,065,000			
2023	2,025,000				2028	3,190,000			
2024	2,105,000				2029	3,260,000			

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary 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 Crystal Freiberg, Esq., counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about May \_\_, 2019.

**Cumberland Securities Company, Inc.**  
*Municipal Advisor*

April \_\_, 2019

\* Preliminary, subject to change

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

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

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

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

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter, as herein after defined, to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Preliminary 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 Preliminary Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

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

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

# BRADLEY COUNTY, TENNESSEE

## COUNTY OFFICIALS

Honorable Gary Davis	<i>County Mayor</i>
Donna Simpson	<i>County Clerk</i>
Mike Smith	<i>County Trustee</i>
Crystal Freiberg	<i>County Attorney</i>
Stanley Thompson	<i>Assessor of Property</i>
Rena Samples	<i>Budget and Finance Manager</i>

## BOARD OF COUNTY COMMISSIONERS

Louie Alford	Tim Mason
Milan Blake	Johnny Mull, Chairman
Thomas Crye	Charlotte Peak
Erica Davis	Kevin Raper
Dennis Epperson	Howard Thompson
Bobby Goins	Bill Winters
Mike Hughes	Jeff Yarber

## BOND REGISTRATION AND PAYING AGENT

Regions Bank  
Nashville, Tennessee

## BOND COUNSEL

Bass, Berry & Sims PLC  
Knoxville, Tennessee

## MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.  
Knoxville, Tennessee



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## 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 *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Issuer .....	Bradley County, Tennessee (the “County” or “Issuer”). See the section entitled “Supplemental Information Statement” for more information.
Securities Offered.....	\$22,000,000* General Obligation Refunding Bonds, Series 2019 (the “Bonds”) of the County, dated the date of delivery (estimated to be May 31, 2019). The Bonds will mature each June 1 beginning June 1, 2020 through June 1, 2025, inclusive, and June 1, 2027 through June 1, 2029, inclusive. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
Security.....	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose .....	The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Debt, as described in the section “REFUNDING PLAN” herein, and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.
Optional Redemption.....	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2026, in whole or in part at any time, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
Rating .....	S&P: “AA” with Stable outlook. See the section entitled “MISCELLANEOUS - Rating” for more information.
Underwriter.....	_____.
Municipal Advisor.....	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Municipal Advisor; Related Parties; Other”, herein.
Bond Counsel .....	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Book-Entry-Only .....	The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry System”
Registration and Paying Agent....	Regions Bank, Nashville, Tennessee (the “Registration Agent”).

General .....	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, <i>Tennessee Code Annotated</i> , as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.
Disclosure .....	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”
Other Information .....	The information in this <i>Preliminary 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 except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the County or this <i>Preliminary Official Statement</i> contact Mr. Gary Davis, County Mayor, 115 Broad Street, Courthouse Annex Building, 2 <sup>nd</sup> Floor, Cleveland, Tennessee 37364, (423) 728-7165; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding <a href="#">BiDCOMP™/PARITY®</a> may be obtained from <a href="#">PARITY®</a> , 1359 Broadway - 2 <sup>nd</sup> Floor, New York, NY 10018, Telephone: 800-850-7422.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Beginning Fund Balance	\$7,133,997	\$8,088,668	\$11,076,378	\$9,262,422	\$9,262,422
Revenues	34,858,431	37,314,653	37,714,609	39,417,565	39,417,565
Expenditures	33,994,369	34,371,139	36,428,565	38,363,678	38,363,678
Other Financing Sources:					
Transfers In	-	-	-	100,000	100,000
Insurance Recovery	90,609	-	-	15,000	15,000
Lease / Sale of Assets	-	44,196	-	-	-
Transfers Out	-	-	(3,100,000)	(841,766)	(841,766)
<b>Ending Fund Balance</b>	<b><u>\$8,088,668</u></b>	<b><u>\$11,076,378</u></b>	<b><u>\$9,262,422</u></b>	<b><u>\$9,589,543</u></b>	<b><u>\$9,589,543</u></b>

Source: Comprehensive Annual Financial Reports of the County.

NOTICE OF SALE

**\$22,000,000\***

**BRADLEY COUNTY, TENNESSEE**

**General Obligation Refunding Bonds, Series 2019**

NOTICE IS HEREBY GIVEN that the County Mayor of Bradley County, Tennessee (the “County” or “Issuer”) will receive electronic or written bids for the purchase of all, but not less than all, of the County’s \$22,000,000\* General Obligation Refunding Bonds, Series 2019 (the “Bonds”) at the office of the County’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863, until **10:15 a.m. E.D.T. on Tuesday, April 30, 2019**. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry form (except as otherwise described in the “Detailed Notice of Sale”) and dated their date of issuance and delivery (assume May 31, 2019) and will mature on June 1, 2020 through June 1, 2025, inclusive, and June 1, 2027 through June 1, 2029, inclusive, with term bonds optional, and will be subject to redemption prior to maturity on June 1, 2026. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the County Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

**In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the County will require bidders to comply with the “hold-the-offering-price rule” or the “10% Test” for purposes of determining the issue price of the Bonds.**

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through [www.prospectushub.com](http://www.prospectushub.com) or from the County’s Municipal Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee (865) 988-2663. Further information regarding **PARITY®** may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Gary Davis  
County Mayor

## DETAILED NOTICE OF SALE

**\$22,000,000\***

### **BRADLEY COUNTY, TENNESSEE**

### **General Obligation Refunding Bonds, Series 2019**

NOTICE IS HEREBY GIVEN that electronic or written bids will be received by the County Mayor of Bradley County, TENNESSEE (the “County” or “Issuer”), all or none, until **10:15 a.m. E.D.T. on Tuesday, April 30, 2019** (or at such later time and date announced at least forty-eight hours in advance via Bloomberg News Service or the **PARITY**® system) for the purchase of \$22,000,000\* General Obligation Refunding Bonds, Series 2019 (the “Bonds”). Electronic bids must be submitted through **PARITY**® as described in this “Detailed Notice of Sale.” In case of written bids, bids will be received at the office of the County’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**® System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY**® System.

Description of the Bonds. The Bonds will be issued in book-entry only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2019.

The Bonds will mature and be payable on June 1 of each year as outlined below:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$ 1,035,000	2025	\$ 2,185,000
2021	3,195,000	2026	-
2022	1,940,000	2027	3,065,000
2023	2,025,000	2028	3,190,000
2024	2,105,000	2029	3,260,000

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One or more fully-registered bond certificates (the “Bond Certificates”) will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC, pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity, to DTC or its nominee, as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of

DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the County, the Bond Certificates in fully registered form will be delivered to, and registered in the names of the DTC participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the County and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

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

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

Optional Redemption. The Bonds maturing on and after June 1, 2027 will be subject to redemption prior to maturity at the option of the County on and after June 1, 2026, in whole or in part at any time, at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such series of Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the County at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the same manner as above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The County will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**® via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The County will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**® conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**® shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the County. The County shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**®. The use of **PARITY**® facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**®, potential bidders may contact i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the County's Municipal Advisor, Cumberland Securities Company, Inc., at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The County and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the County's Municipal Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the County to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor of the County to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the County Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

*The County reserves the right to reject all bids and to waive informalities in the bids accepted.*

Adjustment and/or Revision. While it is the County's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to twenty-five percent (25%). The primary factor to be considered in such adjustment is the amount of premium that is bid. Among other factors the County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the County. Additionally, the County Mayor reserves the right to change the dated date of the Bonds. The maximum revision will occur if the winning bidder bids the maximum price.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Standard Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Municipal Advisor (via wire transfer or certified check) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the County's Municipal Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the County as liquidated damages.

In the event of the failure of the County to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

#### Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the County in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the County within 24 hours after award, furnish the following information to the County to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the County that the Bonds were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the County determines is necessary to complete the Detailed Statement in final form.

After the award of the Bonds, the County will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the County will not include in the final Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the County in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The County expects the successful bidder to deliver copies of such Official Statement in final form (the “Final Official Statement”) to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access System (“EMMA”). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB, to acknowledge that the County expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

#### Issue Price Certificate

- a. The successful bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County, on or prior to the date of issuance and delivery of the Bonds (the “Closing Date”), an “issue price” or similar certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A or Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and Bass, Berry & Sims PLC (“Bond Counsel”). All actions to be taken by the County under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the County by the Municipal Advisor and any notice or report to be provided to the County may be provided to the Municipal Advisor.
- b. The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:
  1. the County shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
  2. all bidders shall have an equal opportunity to bid;
  3. the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;
  4. the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale; and
  5. Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.
- c. In the event that the Competitive Sale Requirements are not satisfied, the County shall so advise the successful bidder. The County may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The County shall promptly advise the successful bidder, at or before the time of award of the Bonds, which

maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that the County determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

- d. By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
  1. the close of the fifth (5th) business day after the sale date; or
  2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

The successful bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

- e. If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.
- f. The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.
- g. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will

contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

- h. Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
  - 1. “public” means any person other than an underwriter or a related party;
  - 2. “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);
  - 3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
  - 4. “sale date” means the date that the Bonds are awarded by the County to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the County, at closing, with an issue price certificate consistent with the foregoing. A form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Hold-the-Offering-Price Rule does not apply, and a form of the issue price certificate is attached to the Detailed Notice of Sale as Exhibit B if such Rule does apply.

Legal Opinion. The unqualified approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the County. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the County will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after each of the County's fiscal years, (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board ("MSRB") and any State Information Depository established in the State of Tennessee (the "SID"). If the County is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the County's *Official Statement* to be prepared and distributed in connection with the sale of each series of Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given the successful bidder. Delivery will be made in book-entry form through the facilities of the Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds. Delivery is currently expected on or about May 31, 2019.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the County. The County will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The County has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The County will furnish the successful bidder at the expense of the County a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder(s) to the persons to whom such bidder and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the County and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Municipal Advisor, Cumberland Securities Company, Inc., P.O. Box 22715, Knoxville, Tennessee 37933, Telephone: 865-988-2663. Further information regarding **PARITY**<sup>®</sup> may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Gary Davis, County Mayor

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## EXHIBIT A

### BRADLEY COUNTY, TENNESSEE \$ \_\_\_\_\_ General Obligation Refunding Bonds, Series 2019

#### ISSUE PRICE CERTIFICATE (for Competitive Sales, to be modified if Hold the Offering Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the Bradley County, Tennessee (the “Issuer”).

1. ***Reasonably Expected Initial Offering Price.***

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 30, 2019.
- (d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_

[NAME OF UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT B

**BRADLEY COUNTY, TENNESSEE**  
**\$\_\_\_\_\_ General Obligation Refunding Bonds, Series 2019**

**ISSUE PRICE CERTIFICATE**  
**(if Hold-the-Offering-Price Rule applies)**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [and the other members of the underwriting syndicate (together, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Bradley County, Tennessee (the “Issuer”).

1. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

- (a) [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
- (b) As set forth in the [Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. ***Defined Terms.***

- (a) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
- (b) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriting Group] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

- (c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 30, 2019.
- (f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_

[NAME OF UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## BID FORM

Honorable Gary Davis, County Mayor  
115 Broad Street  
Courthouse Annex Building, 2<sup>nd</sup> Floor  
Cleveland, Tennessee 37364

April 30, 2019

Dear Mayor Davis:

For your legally issued, properly executed \$22,000,000\* General Obligation Refunding Bonds, Series 2019 (the "Bonds") of Bradley County, Tennessee (the "County") in all respects as more fully outlined in your Notices of Sale which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_.

The Bonds shall be dated the date of delivery (assume May 31, 2019) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>June 1</u> <u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>June 1</u> <u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2020	\$ 1,035,000	_____ %	2025	\$ 2,185,000	_____ %
2021	3,195,000	_____ %	2026	-	_____ %
2022	1,940,000	_____ %	2027	3,065,000	_____ %
2023	2,025,000	_____ %	2028	3,190,000	_____ %
2024	2,105,000	_____ %	2029	3,260,000	_____ %

We have the option to designate two or more consecutive serial maturities of the Bonds as term bond maturities as indicated:

Term Bond 1: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_ %.

Term Bond 2: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_ %.

Term Bond 3: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_ %.

Term Bond 4: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_ %.

It is our understanding that the Bonds are subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the County without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the aggregate principal amount of the Bonds on which we have bid by the close of business on the date of the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the  
Bradley County, Tennessee, this  
30<sup>th</sup> day of April, 2019.

Respectfully submitted,

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Gary Davis, County Mayor

Total interest cost from  
May 31, 2019 to final maturity \$ \_\_\_\_\_  
Less: Premium /plus discount, if any \$ \_\_\_\_\_  
Net Interest Cost..... \$ \_\_\_\_\_  
True Interest Rate ..... \_\_\_\_\_ %

*The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*

\* Preliminary, subject to change



**\$22,000,000\***  
**BRADLEY COUNTY, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2019**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Preliminary Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Bradley County, Tennessee (the “County” or “Issuer”) of its \$22,000,000\* General Obligation Refunding Bonds, Series 2019 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the “Resolution”) duly adopted by the County Commission of the County on March 18, 2019.

The Bonds are being issued for (i) the purpose of refinancing, in whole or in part, certain Outstanding Debt, as described in the section “REFUNDING PLAN” below, and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.

**REFUNDING PLAN**

The County is proposing to issue the Bonds to refinance (i) the County’s outstanding General Obligation Bonds, Series 2009 (Federally Taxable Build America Bonds), dated September 10, 2009, maturing June 1, 2022 and thereafter (the “Series 2009 Bonds”) and (ii) the amount outstanding under that certain Loan Agreement Series V-I-1, dated February 1, 2009, between the County and the Public Building Authority of Sevier County, Tennessee (the “Series V-I-1”, collectively with the Series 2009 Bonds, the “Outstanding Debt”). The Outstanding Debt will be called for redemption within 90 days of the closing.

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

**DESCRIPTION OF THE BONDS**

The Bonds will be initially dated and bear interest from their date of issuance and delivery (assume May 31, 2019). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2019. 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.

\*Preliminary, subject to change.

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

## **SECURITY**

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

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

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

## **OPTIONAL REDEMPTION OF THE BONDS**

The Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026 in whole or in part at any time at a redemption price of par plus accrued interest.

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

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

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

## **MANDATORY REDEMPTION**

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter

provided, the County shall redeem Bonds maturing June 1, 20\_\_, and June 1, 20\_\_ 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 shall be selected in the same manner as is described above relating to optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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\*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 this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the 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) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

## **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of

redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

## **PAYMENT OF BONDS**

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

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

The Bond Registration and Paying Agent, Regions Bank, Nashville, Tennessee, its successor (the “Registration Agent”) or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described in the following section entitled “Book-Entry-Only System”. However, if the winning bidder certifies to the County that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry System is not required.

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

### BOOK-ENTRY-ONLY SYSTEM

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

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

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

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a

“clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Rating of AA+. The DTC rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

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

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

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

## **DISPOSITION OF BOND PROCEEDS**

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

- (a) an amount, which together with investment earnings thereon and other legally available funds of the County, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Debt until and through the redemption date therefor shall be transferred to the paying agent and/or trustee for the Outstanding Debt to be held to the earliest optional redemption date and used for the payment and retirement of the Outstanding Debt; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

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## DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

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

received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

## **REMEDIES OF BONDHOLDERS**

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

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

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

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## LEGAL MATTERS

### LITIGATION

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

### TAX MATTERS

#### Federal

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

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

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

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

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

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

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

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

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

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

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

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

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

## **State Taxes**

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

## **CHANGES IN FEDERAL AND STATE TAX LAW**

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

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

## **CLOSING CERTIFICATES**

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

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

## **APPROVAL OF LEGAL PROCEEDINGS**

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

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## MISCELLANEOUS

### RATING

S&P Global Ratings (“S&P”) has given the Bonds the rating of “AA”. Additionally, S&P has assigned a Stable outlook to the County.

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

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

### COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on April 30, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 18, 2019.

The successful bidder for the Bonds was an account led by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (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 \$\_\_\_\_\_ (consisting of the par amount of the Bonds, less an underwriter’s discount of \$\_\_\_\_\_ and an original issue discount of \$\_\_\_\_\_) or \_\_\_\_% of par plus accrued interest, if any, to the date of delivery.

### MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

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

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

## **ADDITIONAL DEBT**

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

## DEBT LIMITATIONS

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

## DEBT RECORD

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

## CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2019 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The issuer will provide notice in a timely manner to the MSRB of a failure by the County to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

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

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

statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled “SUPPLEMENTAL INFORMATION STATEMENT.”

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-10;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-11 and B-12;
3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as shown on page B-13;
4. Information about the Bonded Debt Service Requirements – General Purpose School Fund as of the end of such fiscal year as shown on page B-14;
5. Information about the Bonded Debt Service Requirements – Hiwasee Utility Commission as of the end of such fiscal year as shown on page B-15;
6. The fund balances and retained earnings for the fiscal year as shown on page B-16;
7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-17;
8. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-23;
9. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-23; and
10. The ten largest taxpayers as shown on page B-24.

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

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

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

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

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - g. Modifications to rights of Bondholders, if material;
  - h. Bond calls, if material, and tender offers;
  - i. Defeasances;
  - j. Release, substitution, or sale of property securing repayment of the securities, if material;
  - k. Rating changes;
  - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
  - m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, 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 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.

## **ADDITIONAL INFORMATION**

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

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

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

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

The County has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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## **CERTIFICATION OF ISSUER**

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

/s/  
County Mayor

ATTEST:

/s/  
County Clerk



## **APPENDIX A**

### **PROPOSED FORM OF LEGAL OPINION**



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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Bradley County, Tennessee (the "Issuer") of the \$\_\_\_\_\_ General Obligation Refunding Bonds, Series 2019 (the "Bonds") dated \_\_\_\_\_, 2019. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 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.

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,

26420328.1

## **APPENDIX B**

### **SUPPLEMENTAL INFORMATION STATEMENT**



## GENERAL INFORMATION

### LOCATION

Bradley County (the “County”) is located in the southeast portion of the State of Tennessee approximately 26 miles northeast of Chattanooga and 80 miles south of Knoxville. The County lies in a valley between the Cumberland and Great Smoky Mountains and has an approximate land area of 216,230 acres or 338 square miles. Bradley County is bordered to the east by Hamilton County and to the west by Polk County. Meigs and McMinn Counties make up the County's northern border. To the south, the County is bordered by the state of Georgia.

Cleveland is located about 10 miles from the new \$1 billion Volkswagen plant built in Hamilton County. See “RECENT DEVELOPMENTS” for more information.

### GENERAL

In 2004 Cleveland was designated a Metropolitan Statistical Area (the “MSA”) that had a population of 115,099 according to the 2010 US Census. The MSA includes Bradley and Polk Counties.

The City is also part of the Chattanooga-Cleveland-Athens, TN-GA Combined Statistical Area (the “CSA”) of southeast Tennessee and northeast Georgia. According to the 2010 Census, the CSA had a population of 698,157. The CSA includes Hamilton, Marion and Sequatchie Counties in Tennessee. The City of Chattanooga is the largest city in the CSA with a population of 167,674 according to the 2010 Census. Cleveland is the County's largest city with a Census 2010 population of 41,285. The 2010 Census reported the County with a 98,963 population.

### TRANSPORTATION

Transportation is provided by numerous facilities. The County is served by Interstate highway 75, U.S. highways 11 and 64, and state routes 60, 74, 40 and 2. Over 100 motor freight carriers serve the area with local terminals. The Norfolk-Southern railway's main line between New Orleans and Washington, D.C. is located less than thirty miles from Cleveland. Ten miles north of Cleveland a barge terminal is located on the Hiwassee River, providing manufacturing concerns with direct access to a major barge traffic artery.

The Cleveland Regional Jetport has a 6,200-foot runway that was completed in 2013. Commercial airline service is available in Chattanooga at Lovell Field, which is approximately 15 miles from the County. Air freight, cargo and package express services are also available at Lovell Field.

### EDUCATION

There are two school systems in the County. The *Bradley County School System* operates eleven elementary schools, two middle schools, and two high schools with a fall 2017 enrollment of about 9,869 students and 612 teachers. The *Cleveland City Schools System* operates six

elementary schools, one middle school, one high school and one alternative school with a fall 2017 enrollment of about 5,563 students and 336 teachers.

*Source:* Tennessee Department of Education.

*Chattanooga State Technical Community College* (the “CSTCC”) is located in Chattanooga, Tennessee. It was founded in 1965. The fall 2017 enrollment was 8,504 over 4 campuses: Downtown Chattanooga, East Chattanooga, Dayton, Kimball and Sequatchie Bledsoe. Chattanooga State provides comprehensive one and two-year occupational, college parallel, continuing education, and community service programs as well as quality technical and scientific occupational programs. The College serves Chattanooga and Hamilton, Bradley, Rhea, Sequatchie, Marion, Bledsoe, and Grundy counties.

Since 2007 CSTCC has invested more than \$2.3 million in technology curriculum updates and expansions to relate directly to automotive industry and suppliers, as well as energy and nuclear industries moving to the area. Volkswagen has completed construction on a \$1 billion plant in nearby Chattanooga that employs about 2,000 people. The large work force needed has the opportunity to be trained for Volkswagen in addition to the suppliers. The \$2.4 billion Wacker Polysilicon plant, which began production in early 2016, has located in nearby Bradley County, has three apprenticeship programs at CSTCC to help meet future employment needs. Chemical operator and mechanical and electrical/instrumentation apprentices will work one to two days a week at the plant in addition to their class work.

*Source:* Chattanooga State Technical Community College.

*Cleveland State Community College* is a comprehensive two-year community college that operates within the governance of the Tennessee Board of Regents. The college is located in Cleveland, Tennessee, just 30 miles northeast of Chattanooga. The fall of 2017 semester had an enrollment of 3,016 students. The college has offices and classrooms in Athens and Vonore. Cleveland State’s service area includes Bradley, Meigs, McMinn, Monroe, and Polk Counties.

*Source:* Cleveland State Community College and TN Higher Education Commission.

*Lee University* is a private, comprehensive Christian college operated by the Church of God located in Cleveland, Tennessee. Lee is a fully accredited liberal arts institution with bachelor degrees available in 40 majors in 80 programs of study and seven master’s degree programs. Lee is the second largest of Tennessee’s 35 accredited private colleges and universities. The University was founded in 1918 and had a fall 2017 enrollment of 5,386 students. Lee was named to the “top tier” of the 2015 “Best Colleges” edition of U.S. News & World Report, and was included for the third time in its “Up-and-Comers” list.

*Source:* Lee University.

*University of Tennessee at Chattanooga Cleveland MBA Program.* UTC's College of Business Administration offers the only AACSB accredited Master of Business Administration (MBA) program in the Cleveland area. Professors travel to Cleveland once a week. The MBA program is designed to help potential as well as experienced managers improve their skills by learning in an application based teaching environment.

*Source:* University of Tennessee at Chattanooga.

*The Tennessee College of Applied Technology at Athens.* The Tennessee College of Applied Technology at Athens (the “TCAT-A”) is part of a statewide system of 26 vocational-

technical schools. The TCAT-A 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-A serves the southeast region of the state including McMinn, Monroe, Bradley, Meigs, and Polk Counties. The TCAT-A began operations in 1963, and the main campus is located in McMinn County. Fall 2016 enrollment was 751 students.

*Source:* Tennessee Technology Center at Athens and TN Higher Education Commission.

## **HEALTHCARE**

*Tennova Healthcare (formerly SkyRidge Medical Center).* Tennova Healthcare is a 351-bed, two campus, full service, regional medical center. Services include surgery, digestive care, senior services, behavioral health, women's services, emergency and pediatric care. The hospital has about 150 active physicians. Tennova Healthcare is affiliated with Community Health Systems (the "CHS"), which 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.

## **MANUFACTURING AND COMMERCE**

Bradley County has actively developed a healthy economic base comprised of a broad range of employers representing both the service and industrial sectors. The County is the location of a \$2.4 billion investment from Wacker Chemical Company for the solar energy market (see "RECENT DEVELOPMENTS" for more information).

There are two industrial parks. The Cleveland/Bradley County Industrial Park is located about 2.5 miles from I-75 and contains 330 acres with approximately 30 acres of land still available. A Norfolk/Southern mainline serves the park. The Hiwassee River Industrial Park is a 121-acre development located about an eighth of a mile off I-75 with 20 acres and all utilities available.

*Volkswagen.* In 2011 the German automaker completed the \$1 billion plant in the Enterprise South industrial park located about 10 miles from Cleveland in Chattanooga. This \$1 billion plant is the largest single manufacturing investment ever for the City of Chattanooga. This is the first U.S. assembly plant for VW. A study by the University of Tennessee's Center for Business and Economic Research estimated the plant and suppliers will create new tax revenue of nearly \$1.4 billion and create 11,477 jobs. The Chattanooga plant is a key part of the carmaker's long-term plan to nearly quadruple its U.S. sales to about 800,000 annually by 2018. In addition to the plant, the City built a \$40 million Volkswagen Training Center in the City.

In 2012 construction was completed on the largest solar park in the state. The \$30 million, 9.5 megawatts park supplies power to the Volkswagen plant. Upon completion, the park provides up to 12.5 percent of the VW plant's power. The solar park is privately run by two companies, Phoenix Solar and Silicon Ranch Corp headquartered in Germany and Nashville, TN respectively.

As of early 2019, Volkswagen employs 3,500 people in Chattanooga and will have invested \$2.3 billion in the facility by the end of 2019. The Chattanooga plant produces the midsize Atlas SUV and Passat sedan and will begin building the Atlas Cross Sort, a five seat version of the model, in 2019. See “RECENT DEVELOPMENTS” for more current information on the plant.

*Wacker Polysilicon.* The German chemical company, Wacker Polysilicon, has a facility in Bradley County to make hyperpure polycrystalline silicon to be used mainly in the solar energy industry. The plant was built on a 550-acre site near Hiwassee Industrial Park in Cleveland. The \$2.4 billion plant, with an initial \$1 billion investment in 2009, was opened in April 2016 with 600 employees. The plant uses chlorine supplied by the adjacent Olin Chemical through a pipeline that connects the plants. Wacker has graduated several lead chemical operator and technicians from its Wacker Institute at the Chattanooga State Community College since the program started in 2013.

Polysilicon is the raw material used in the production of solar power panels. A byproduct of its manufacture is tetrachlorosilane, which either is converted and fed back into the production loop or processed into pyrogenic silica. The plant produces 20,000 tons per year of hyperpure polysilicon. Pyrogenic silica is a filler in silicone elastomer and a viscosity-adjusting agent in coatings, printing inks and adhesives. It also serves as a flow aid in the cosmetics, pharmaceutical and food-processing industries.

There are several solar-related plants planned or already located in Tennessee: the solar panel manufacturer Sharp in Memphis; AGC Flat Glass, a solar glass manufacturer with plants in Sullivan and Hawkins Counties, and Wacker Polysilicon.

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## Major Employers in the County

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Whirlpool Corp Cleveland Div	Electric and Gas Ranges	1,435
City of Cleveland	Government	1,202
Bradley County School System	Education	1,200
Tennova Healthcare-Cleveland	Healthcare	1,120
Amazon.com	Distribution	1,101
Peyton's Southeastern, Inc.	Kroger's Distributor	1,100
Jackson Manufacturing	Upholstered Furniture	852
Lee University	Education	815
Wal-Mart (Two Stores)	Retail	682
Wacker Polysilicon	Manufacturing	682
Cleveland City Schools	Education	664
Bradley County	Government	620
Mars Chocolate	Candy	577
Merck & Co. Inc	Manufacturing	537
Schering-Plough, Inc.	Foot Care Products	537
Cleveland Chair Company	Upholstered Chairs	525
Charleston Hosiery, Inc.	Hosiery	432
Whirlpool Consumer Care	Electric and Gas Ranges	376
Maytag Customer Service	Maytag Parts and Service	376
Rubbermaid Cleaning Products	Mops	375
Hardwick Clothes, Inc.	Men's and Women's Clothing	370
Duracell USA	Alkaline Batteries	350
Excel Inc.		350
Advanced Photographic Solutions	Photo Finishing	325
Johnston Coca-Cola Bottling Co.	Bottled Drinks	320
Brown Stove Works, Inc.	Electric Ranges	300
Olin Corporation	Chlorine, Calcium	280
Arch Chemicals, Inc.	Pool Chemicals	265
Flowers Bakery of Cleveland	Bakery Items	250
Eaton Electrical	Electrical Control Equipment	180
Georgia Pacific Corporation	Corrugated Paperboard Containers	170

Source: Bradley County's Audit (2018), City of Cleveland's Audit, Cleveland Daily Banner and Knoxville News Sentinel - 2018.

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## EMPLOYMENT INFORMATION

For the month of October 2018, the unemployment rate for the Cleveland stood at 3.9% with 20,190 persons employed out of a labor force of 21,000. For the month of October 2018, the unemployment rate for the County stood at 3.8% with 49,050 persons employed out of a labor force of 50,970.

The Cleveland MSA's unemployment for October 2018 was at 3.8% with 56,190 persons employed out of a labor force of 58,430. As of October 2018, the unemployment rate in the Chattanooga-Cleveland-Athens CSA stood at 3.9%, representing 435,510 persons employed out of a workforce of 453,080.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.2%	4.7%	3.7%
<b>Cleveland</b>	<b>7.8%</b>	<b>6.6%</b>	<b>5.7%</b>	<b>4.8%</b>	<b>3.7%</b>
Index vs. National	105	106	108	98	84
Index vs. State	100	100	102	102	100
<b>Bradley County</b>	<b>7.1%</b>	<b>6.1%</b>	<b>5.2%</b>	<b>4.4%</b>	<b>3.7%</b>
Index vs. National	96	98	98	90	84
Index vs. State	91	92	93	94	100
<b>Cleveland MSA</b>	<b>7.4%</b>	<b>6.3%</b>	<b>5.4%</b>	<b>4.6%</b>	<b>3.8%</b>
Index vs. National	100	102	102	94	86
Index vs. State	95	95	96	98	103
<b>Chattanooga-Cleveland- Athens CSA</b>	<b>7.6%</b>	<b>6.5%</b>	<b>6.3%</b>	<b>5.0%</b>	<b>4.0%</b>
Index vs. National	103	105	119	102	91
Index vs. State	97	98	113	106	108

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

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## ECONOMIC DATA

### Per Capita Personal Income

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	\$44,826	\$47,025	\$48,940	\$49,831	\$51,640
Tennessee	\$39,549	\$40,977	\$42,810	\$43,932	\$45,517
<b>Bradley County</b>	<b>\$35,108</b>	<b>\$36,068</b>	<b>\$37,403</b>	<b>\$37,643</b>	<b>\$38,766</b>
Index vs. National	78	77	76	76	75
Index vs. State	89	88	87	86	85
<b>Cleveland MSA</b>	<b>\$34,412</b>	<b>\$35,342</b>	<b>\$36,610</b>	<b>\$36,881</b>	<b>\$38,016</b>
Index vs. National	77	75	75	74	74
Index vs. State	87	86	86	84	84
<b>Chattanooga-Cleveland-Athens CSA</b>	<b>\$35,786</b>	<b>\$37,079</b>	<b>\$38,802</b>	<b>\$39,536</b>	<b>\$40,942</b>
Index vs. National	80	79	79	79	79
Index vs. State	90	90	91	90	90

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

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Bradley County</u>	<u>Cleveland</u>
Median Value Owner Occupied Housing	\$193,500	\$151,700	\$150,100	\$159,200
% High School Graduates or Higher Persons 25 Years Old and Older	87.30%	86.50%	84.2%	84.3%
% Persons with Income Below Poverty Level	12.30%	15.00%	16.9%	22.0%
Median Household Income	\$57,652	\$48,708	\$46,381	\$41,570

Source: U.S. Census Bureau State & County QuickFacts - 2017.

## TOURISM AND RECREATION

*Cherokee National Forest (the "CNF").* The Cherokee National Forest is located in Eastern Tennessee and stretches from Polk, Monroe, Cocke, Greene, Unicoi, Carter and Johnson Counties along the North Carolina border. The headquarters is located in Cleveland in Bradley County. The 640,000-acre forest is the largest tract of public land in Tennessee. It lies in the heart of the Southern Appalachian mountain range, one of the world's most diverse areas. These mountains are home to more than 20,000 species of plants and animals. There are the 650 miles

of hiking trails and the 500 miles of streams for fishing. The area is the former homeland of the Cherokee Indians and is Tennessee's only National Forest.

*Source:* USDA Forest Service.

*Red Clay State Historic Park.* Red Clay State Historic Park is located in the extreme southwest corner of Bradley County in Tennessee, just above the Tennessee-Georgia state line. The park encompasses 263-acres of narrow valleys formerly used as cotton and pasture land. There are also forested ridges that average 200 feet or more above the valley floor. The site contains a natural landmark, the Blue Hole Spring, which arises from beneath a limestone ledge to form a deep pool that flows into Mill Creek, a tributary of the Conasauga and Coosa River system. The spring was used by the Cherokee for their water supply during council meetings. The park has a large picnic pavilion and an amphitheatre. The park also features the Cherokee Days of Recognition, an annual event featuring traditional Cherokee dance, food and arts.

*Source:* Tennessee State Parks.

The Ocoee River whitewater rafting facilities, with Class IV and V rapids, are located within a twenty-minute drive of Cleveland. Nearby is the Hiwassee River, Tennessee's first designated State Scenic River, offering tranquility for canoeists, fishermen, hikers and nature photographers.

## **RECENT DEVELOPMENTS**

*Amazon.com, Inc.* Amazon.com, a large internet retail site, hired 50,000 workers over 10 fulfillment centers across the country in 2018, including the center in the nearby Bradley County. Besides warehouse workers, Amazon hired software engineers, data scientists and customer service workers. The number of full-time and part-time workers at Amazon has swelled from 56,000 at the end of 2011 to more than 390,000 in 2018. Amazon also recently announced a \$13.7 billion deal to buy organic grocer Whole Foods; it added Sears' Kenmore appliances to its website; and it's rolling out its own ready-to-cook meal kits, competing with companies such as Blue Apron.

In 2015 Amazon created 150 more full-time jobs for the nearby Bradley County facility. In 2014 and in 2012 Amazon's retail distribution facility in Bradley County added about 100 more full-time jobs each time to expand the operation. The 1.2 million-square-foot facility that opened in late 2011 employs about 450 full-time workers, or about 200 more than originally planned. The center handles larger items than the company's nearby Hamilton County facility (which employees over 3,000 employees as of 2015). Amazon invested about \$139 million in both of the Bradley and Hamilton County sites. Amazon also has facilities in Rutherford and Wilson Counties that opened in 2013.

*MARS CHOCOLATE NA.* The Mars Wrigley Confectionery in Cleveland, which opened in the 1970's, makes more M&M'S than any other facility in the world. Parent Company MARS began construction in late 2018 on an expansion that'll support the launch of M&M'S Hazelnut Spread, which will also be made in Cleveland. In 2013 a \$60 million expansion was completed for the candy, Pretzel M&Ms, which hired 50 new employees.

*Volkswagen.* In 2019 the German automaker announced an \$800 million project to build the company's first electric vehicle facility in North America, resulting in 1,000 additional job.

It is expected that the first electric vehicle would be produced in Chattanooga in 2022. Volkswagen expects to sell 150,000 electric vehicles by 2020 and 1 million by 2025. In addition to Chattanooga, the company is also building an electric vehicle facility in Germany and China. As of early 2019, Volkswagen employs 3,500 people in Chattanooga and will have invested \$2.3 billion in the facility by the end of 2019.

Announced in 2014, Volkswagen invested an additional \$600 million to the \$1 billion plant already operational in the City of Chattanooga. This expansion is to produce a new sport utility vehicle called the CrossBlue and will create an additional 2,000 new jobs for the plant. It is expected to be in production by 2017. The plant's work force was 2,700 at the middle of 2014. Also, Volkswagen will build a new research and development center near the automotive plant that will employ 200. This large expansion comes a year after Volkswagen laid off 500 workers in 2013 due to slower than expected sales growth. In 2012 Volkswagen hired an additional 800 employees for the production of the Passat sedan.

*Wacker Polysilicon.* Wacker Polysilicon facility in Bradley was built on a 550-acre site near Hiwassee Industrial Park in Cleveland. The \$2.4 billion plant, with an initial \$1 billion investment in 2009, was opened in April 2016 with 600 employees. A second \$150 million pyrogenic silica plant was proposed in 2016 to be built at the site. The plant uses chlorine supplied by the adjacent Olin Chemical through a pipeline that connects the plants.

*Source:* The Cleveland Banner, Chattanooga Times Free Press and Knoxville News Sentinel.

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**BRADLEY COUNTY, TENNESSEE**  
**SUMMARY OF LONG-TERM INDEBTEDNESS**

As of June 30, 2018

PURPOSE	DUE DATE	INTEREST RATE(S)	(1) & (3) OUTSTANDING
\$48,210,000 Loan Agreement, Series E-6-A	June 2026	Adjustable Rate	\$ 26,790,000
\$12,050,000 Loan Agreement, Series V-I-1	June 2021	Fixed	4,835,000
\$17,550,000 General Obligation Bonds, Series 2009 (Taxable BAB's)	June 2029	Fixed	17,550,000
\$2,870,000 General Obligation Bonds, Series 2013 (Fire Station)	June 2029	Fixed	2,070,000
\$15,600,000 Loan Agreement, Series VII-P-1	June 2037	Adjustable Rate (2)	15,600,000
<b>TOTAL EXISTING DEBT AS OF JUNE 30, 2018</b>			<b>\$ 66,845,000</b>
<b>CURRENT OFFERING</b>			
PLUS: General Obligation Refunding Bonds, Series 2019	June 2029	Fixed	22,000,000
LESS: Refunded Bonds	June 2029	Fixed	(21,515,000)
<b>TOTAL DEBT - POST REFUNDING</b>			<b>67,330,000</b>
<b>SCHOOL LEASES</b>			
\$16,188,500 Lease Agreement, Series 2016	Dec. 2036	Fixed	\$ 15,763,738
\$96,460 Lease Agreement, Series 2017	Dec. 2018	Fixed	32,130
<b>TOTAL EXISTING SCHOOL LEASES</b>			<b>\$ 15,795,868</b>
<b>NET TOTAL DEBT</b>			<b>\$ 83,125,868</b>
<b>Hiwassee Utility Commission - Water Revenue Supported Debt</b>			
\$5,580,000 General Obligation Refunding Bonds, Series 2015	June 2042	Fixed	\$ 5,365,000

**NOTES:**

- (1) The above figures may not include all short-term note and leases outstanding or any additional notes or leases issued after June 30, 2018, if any. Also, does not included the tax backed debt issued on behalf of the Hiwassee Utility Commission which is self-supporting from water revenues. For more information, see the notes to the Financial Statements in the County's Comprehensive Annual Financial Report (CAFR).
- (2) The County budgets to account for interest rate and/or basis risk.
- (3) The Authority on behalf of the Borrower has entered into an interest rate swap agreement on the Series IV-C-2 Bonds and IV-G-1 Bonds. Those Bonds have been refinanced but the Loan Agreements and interest rate swap agreements are still in place and have hedged a notional amount of \$15,750,000 of the E-6-A Bonds. For more information, see the notes to the Financial Statements in the CAFR.
- (4) The County on behalf of the Hiwassee Utility Commission issued the Series 2015 Bonds to refinance the B-14-A Loan Agreement. The B-14-A Loan Agreement and the Series 2015 Bonds are backed by the County's full faith and credit but is paid by water revenues of the Hiwassee Utility Commission. The Hiwassee Utility Commission has been self-supporting since its formation in 1972. For more information, see the notes to the Financial Statements in the CAFR.

**BRADLEY COUNTY, TENNESSEE**  
Indebtedness and Debt Ratios

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

	For Fiscal Years Ended June 30					Post Issuance
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>
<b>INDEBTEDNESS</b>						
<b>TAX SUPPORTED</b>						
General Obligation Bonds and School Lea	\$ 69,280,000	\$ 65,070,000	\$ 60,640,000	\$ 72,345,788	\$ 82,640,868	\$ 83,125,868
<b>TOTAL TAX SUPPORTED</b>	<b>\$ 69,280,000</b>	<b>\$ 65,070,000</b>	<b>\$ 60,640,000</b>	<b>\$ 72,345,788</b>	<b>\$ 82,640,868</b>	<b>\$ 83,125,868</b>
<b>REVENUE SUPPORTED</b>						
Hiwassee Utility Commission	\$ 5,485,000	\$ 5,382,500	\$ 5,680,000	\$ 5,520,000	\$ 5,365,000	\$ 5,365,000
<b>TOTAL REVENUE SUPPORTED</b>	<b>\$ 5,485,000</b>	<b>\$ 5,382,500</b>	<b>\$ 5,680,000</b>	<b>\$ 5,520,000</b>	<b>\$ 5,365,000</b>	<b>\$ 5,365,000</b>
<b>TOTAL DEBT</b>	<b>\$ 74,765,000</b>	<b>\$ 70,452,500</b>	<b>\$ 66,320,000</b>	<b>\$ 77,865,788</b>	<b>\$ 88,005,868</b>	<b>\$ 88,490,868</b>
Less: Revenue Supported Debt	\$ (5,485,000)	\$ (5,382,500)	\$ (5,680,000)	\$ (5,520,000)	\$ (5,365,000)	\$ (5,365,000)
Less: Debt Service Fund	\$ (11,650,561)	\$ (10,667,964)	\$ (10,242,491)	\$ (9,334,612)	\$ (6,885,123)	\$ (6,885,123)
<b>NET DIRECT DEBT</b>	<b>\$57,629,439</b>	<b>\$54,402,036</b>	<b>\$50,397,509</b>	<b>\$63,011,176</b>	<b>\$75,755,745</b>	<b>\$76,240,745</b>
<b>PROPERTY TAX BASE</b>						
Estimated Actual Value	\$ 6,834,945,632	\$ 7,010,300,956	\$ 7,534,996,557	\$ 7,756,510,101	\$ 8,070,182,325	\$ 8,070,182,325
Appraised Value	6,834,945,632	7,010,300,956	7,088,924,761	7,297,324,703	8,070,182,325	8,070,182,325
Assessed Value	1,975,526,855	2,034,069,457	2,054,258,028	2,116,589,385	2,346,199,847	2,346,199,847

	For Fiscal Years Ended June 30					Post Issuance
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
<b>DEBT RATIOS</b>						
TOTAL DEBT to Estimated Actual Value	1.81%	1.81%	1.81%	1.81%	1.81%	1.81%
TOTAL DEBT to Appraised Value	1.81%	1.81%	1.81%	1.81%	1.81%	1.81%
TOTAL DEBT to Assessed Value	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
NET DIRECT DEBT to Estimated Actual Value	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%
NET DIRECT DEBT to Appraised Value	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%
NET DIRECT DEBT to Assessed Value	2.36%	2.36%	2.36%	2.36%	2.36%	2.36%
<b>PER CAPITA RATIOS</b>						
POPULATION (1)	102,975	104,091	104,490	105,560	105,560	105,560
PER CAPITA PERSONAL INCOME (2)	\$36,068	\$37,403	\$37,643	\$38,766	\$38,766	\$38,766
Estimated Actual Value to POPULATION	53,024.63	53,024.63	53,024.63	53,024.63	53,024.63	53,024.63
Assessed Value to POPULATION	15,343.06	15,343.06	15,343.06	15,343.06	15,343.06	15,343.06
Total Debt to POPULATION	958.35	958.35	958.35	958.35	958.35	958.35
Net Direct Debt to POPULATION	361.73	361.73	361.73	361.73	361.73	361.73
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.34%	1.34%	1.34%	1.34%	1.34%	1.34%

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

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

**BRADLEY COUNTY, TENNESSEE**  
DEBT SERVICE REQUIREMENTS - General Debt Service Fund  
As of June 30, 2018

FY Ended 6/30	Existing General Obligation Debt as of June 30, 2018 (1)				General Obligation Refunding Bonds, Series 2019				Total Bonds Being Refunded				Total Debt Service Requirements (1)				% All Principal Repaid
	Principal	Interest	U.S. Treasury Rebate	Est. Seaustration	TOTAL	Principal	Interest (3)	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest (2)	U.S. Treasury Rebate	Est. Seaustration	TOTAL	
2019	\$ 5,695,000	\$ 2,773,264	\$ (327,278)	\$ 22,582	\$ 8,163,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,695,000	\$ 2,773,264	\$ (327,278)	\$ 22,582	\$ 8,163,568	8.46%
2020	5,954,235	2,546,443	(327,278)	22,582	8,195,982	1,035,000	573,346	1,608,346	(895,000)	(1,101,355)	(1,996,355)	6,094,235	2,018,434	(327,278)	22,582	7,807,973	17.51%
2021	6,224,305	2,304,336	(327,278)	22,582	8,223,845	3,195,000	548,470	3,743,470	(3,070,000)	(1,065,555)	(4,135,555)	6,249,305	1,787,151	(327,278)	22,582	7,831,760	26.94%
2022	5,129,378	2,074,987	(327,278)	22,582	6,899,670	1,940,000	474,985	2,414,985	(1,850,000)	(935,080)	(2,785,080)	5,219,378	1,614,892	(327,278)	22,582	6,529,575	34.69%
2023	5,379,455	1,879,760	(294,903)	20,348	6,984,661	2,025,000	429,395	2,454,395	(1,950,000)	(842,580)	(2,792,580)	5,454,455	1,466,575	(294,903)	20,348	6,646,476	42.79%
2024	5,634,537	1,642,236	(260,846)	17,998	7,033,925	2,105,000	380,795	2,485,795	(2,050,000)	(745,275)	(2,795,275)	5,689,537	1,277,756	(260,846)	17,998	6,724,445	51.24%
2025	5,869,623	1,389,115	(223,752)	15,439	7,050,425	2,185,000	329,223	2,514,223	(2,150,000)	(639,290)	(2,789,290)	5,904,623	1,079,047	(223,752)	15,439	6,775,358	60.01%
2026	6,714,713	1,122,470	(184,095)	12,703	7,665,791	-	274,598	274,598	-	(525,985)	(525,985)	6,714,713	871,082	(184,095)	12,703	7,414,403	69.99%
2027	4,034,809	837,192	(184,095)	12,703	4,700,610	3,065,000	274,598	3,339,598	(3,050,000)	(325,985)	(3,575,985)	4,049,809	585,805	(184,095)	12,703	4,464,222	76.00%
2028	4,214,909	642,458	(125,703)	8,673	4,740,338	3,190,000	190,310	3,380,310	(3,200,000)	(359,150)	(3,559,150)	4,205,014	473,618	(125,703)	8,673	4,561,498	82.25%
2029	4,345,014	437,697	(64,103)	4,423	4,723,031	3,260,000	97,800	3,357,800	(3,300,000)	(183,150)	(3,483,150)	4,304,909	352,347	(64,103)	4,423	4,597,681	88.64%
2030	860,125	224,923	-	-	1,085,048	-	-	-	-	-	-	860,125	224,923	-	-	1,085,048	89.92%
2031	885,241	199,007	-	-	1,084,248	-	-	-	-	-	-	885,241	199,007	-	-	1,084,248	91.23%
2032	910,362	172,336	-	-	1,082,698	-	-	-	-	-	-	910,362	172,336	-	-	1,082,698	92.58%
2033	940,490	144,908	-	-	1,085,398	-	-	-	-	-	-	940,490	144,908	-	-	1,085,398	93.98%
2034	970,623	116,575	-	-	1,087,198	-	-	-	-	-	-	970,623	116,575	-	-	1,087,198	95.42%
2035	995,762	87,336	-	-	1,083,098	-	-	-	-	-	-	995,762	87,336	-	-	1,083,098	96.90%
2036	1,025,909	57,339	-	-	1,083,248	-	-	-	-	-	-	1,025,909	57,339	-	-	1,083,248	98.42%
2037	1,060,511	29,138	-	-	1,089,649	-	-	-	-	-	-	1,060,511	29,138	-	-	1,089,649	100.00%
	\$ 66,845,000	\$ 18,681,421	\$ (2,646,607)	\$ 182,616	\$ 83,062,430	\$ 22,000,000	\$ 3,573,518	\$ 25,573,518	\$ (21,515,000)	\$ (6,923,405)	\$ (28,438,405)	\$ 67,330,000	\$ 15,331,534	\$ (2,646,607)	\$ 182,616	\$ 80,197,543	

**NOTES:**

- (1) The above figures may not include all short-term note and leases outstanding or any additional notes or leases issued after June 30, 2018, if any. Also, does not include the tax backed debt issued on behalf of the Hwassee Utility Commission which is self-supporting from water revenues. Excludes the Series VII-P-1 Loan that is shown separate. For more information, see the notes to the Financial Statements in the County's Comprehensive Annual Financial Report (CAFR).
- (2) The County budgets to account for interest rate and/or basis risk.

**BRADLEY COUNTY, TENNESSEE**  
**LEASE REQUIREMENTS - General Purpose School Fund**  
As of June 30, 2018

FY Ended 6/30	<b>Total Debt Service Requirements (1)</b>			% All Principal Repaid
	Principal	Interest (2)	TOTAL	
2019	\$ 784,858	\$ 383,238	\$ 1,168,096	4.97%
2020	696,391	363,530	1,059,921	
2021	713,557	346,364	1,059,921	
2022	731,146	328,775	1,059,921	
2023	749,169	310,752	1,059,921	
2024	767,636	292,285	1,059,921	28.13%
2025	786,558	273,363	1,059,921	
2026	805,947	253,974	1,059,921	
2027	825,813	234,108	1,059,921	
2028	846,170	213,751	1,059,921	
2029	867,028	192,893	1,059,921	54.28%
2030	888,400	171,521	1,059,921	
2031	910,299	149,622	1,059,921	
2032	932,738	127,183	1,059,921	
2033	955,730	104,191	1,059,921	
2034	979,289	80,632	1,059,921	83.82%
2035	1,003,429	56,492	1,059,921	
2036	1,028,163	31,758	1,059,921	
2037	523,547	6,413	529,960	100.00%
	<u>\$ 15,795,868</u>	<u>\$ 3,920,845</u>	<u>\$ 19,716,713</u>	

**NOTES:**

(1) The above figures do not include short-term note and leases outstanding or any additional notes or leases issued after June 30, 2018, if any. Also, does not included the tax backed debt issued on behalf of the Hiwassee Utility Commission which is self-supporting from water revenues. For more information, see the notes to the Financial Statements in the County's Comprehensive Annual Financial Report (CAFR).

**BRADLEY COUNTY, TENNESSEE**  
**DEBT SERVICE REQUIREMENTS -**  
 Hiwassee Utility Commission  
 As of June 30, 2018

FY Ended 6/30	<b>Total Debt Service Requirements (1)</b>			% All Principal Repaid
	Principal	Interest (2)	TOTAL	
2019	\$ 160,000	\$ 161,275	\$ 321,275	2.98%
2020	165,000	155,875	320,875	
2021	175,000	150,306	325,306	
2022	180,000	144,619	324,619	
2023	180,000	141,019	321,019	
2024	185,000	137,419	322,419	19.48%
2025	190,000	133,719	323,719	
2026	190,000	129,444	319,444	
2027	195,000	124,931	319,931	
2028	200,000	120,300	320,300	
2029	205,000	115,050	320,050	37.74%
2030	210,000	109,669	319,669	
2031	220,000	103,369	323,369	
2032	225,000	96,769	321,769	
2033	230,000	90,019	320,019	
2034	240,000	83,119	323,119	58.71%
2035	245,000	75,619	320,619	
2036	255,000	67,963	322,963	
2037	265,000	59,356	324,356	
2038	270,000	50,413	320,413	
2039	280,000	41,300	321,300	83.22%
2040	290,000	31,500	321,500	
2041	300,000	21,350	321,350	
2042	310,000	10,850	320,850	100.00%
	<u>\$ 5,365,000</u>	<u>\$ 2,355,250</u>	<u>\$ 7,720,250</u>	

**NOTES:**

(1) The above figures do not include short-term note and leases outstanding or any additional notes or leases issued after June 30, 2018, if any. The tax backed debt issued on behalf of the Hiwassee Utility Commission which is self-supporting from water revenues. For more information, see the notes to the Financial Statements in the County's Comprehensive Annual Financial Report (CAFR).

## FINANCIAL INFORMATION

### BASIS OF ACCOUNTING AND PRESENTATION

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

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

### FUND BALANCES AND RETAINED EARNINGS

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

	<b><u>For the Fiscal Year Ended June 30</u></b>				
<b><u>Fund Type</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<i>Governmental Funds:</i>					
General	\$ 7,133,997	\$ 8,088,668	\$11,076,378	\$ 9,262,422	\$ 9,589,543
Highway/ Public Works	1,968,544	2,385,906	2,330,093	2,587,700	2,437,343
Debt Service	11,650,561	10,667,964	10,272,491	9,334,612	6,885,123
Endowment	16,618,468	16,623,620	16,618,066	16,676,144	16,719,451
Other Governmental	<u>5,032,895</u>	<u>5,996,914</u>	<u>5,221,849</u>	<u>6,727,669</u>	<u>2,953,998</u>
<b>Total</b>	<b><u>\$42,404,465</u></b>	<b><u>\$43,762,072</u></b>	<b><u>\$45,488,877</u></b>	<b><u>\$44,588,547</u></b>	<b><u>\$38,585,458</u></b>

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Revenues:</b>					
Local Taxes	\$ 17,942,281	\$ 19,203,826	\$ 19,936,459	\$ 21,000,632	\$ 20,836,812
Licenses and Permits	408,740	515,552	464,100	389,380	476,468
Fines, forfeitures and penalties	676,392	656,361	614,951	650,038	578,249
Charges for current services	4,917,406	5,183,640	5,896,626	5,647,565	5,912,470
Other local revenues	852,187	980,928	1,110,769	1,070,399	1,224,097
Fees received from County officials	2,535,893	2,570,682	2,692,784	2,816,848	2,646,665
State of Tennessee	3,704,304	3,668,792	4,581,456	3,963,946	5,273,899
Federal Government	352,757	260,323	362,110	343,110	514,180
Other Governments & Citizens Groups	1,697,000	1,818,327	1,655,398	1,832,691	1,954,725
<b>Total Revenues</b>	<u>\$ 33,086,960</u>	<u>\$ 34,858,431</u>	<u>\$ 37,314,653</u>	<u>\$ 37,714,609</u>	<u>\$ 39,417,565</u>
<b>Expenditures:</b>					
General government	\$ 2,422,516	\$ 2,255,710	\$ 2,196,958	\$ 2,311,542	\$ 2,331,593
Finance	1,398,934	1,515,060	1,489,377	1,706,074	1,672,410
Administration of Justice	3,292,598	3,390,762	3,445,988	3,667,876	3,764,492
Public Safety	15,990,256	17,081,263	17,398,045	18,360,874	19,331,373
Public Health & Welfare	6,658,399	6,882,028	7,115,139	7,515,857	8,177,892
Social, Cultural & Recreational Services	972,291	1,190,849	944,811	1,117,145	1,332,413
Agricultural & Natural Resources	618,665	505,080	488,745	496,613	517,684
Other Operations	1,135,656	1,173,617	1,292,076	1,252,584	1,235,821
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 32,489,315</u>	<u>\$ 33,994,369</u>	<u>\$ 34,371,139</u>	<u>\$ 36,428,565</u>	<u>\$ 38,363,678</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 597,645	\$ 864,062	\$ 2,943,514	\$ 1,286,044	\$ 1,053,887
<b>Other Sources and Uses:</b>					
Note Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers - In	-	-	-	-	100,000
Insurance Recovery	-	90,609	-	-	15,000
Capitalized lease / Sale of Assets Proceeds	-	-	44,196	-	-
Operating Transfers - Out	-	-	-	(3,100,000)	(841,766)
<b>Total Expenditures &amp; Other Uses</b>	<u>\$ -</u>	<u>\$ 90,609</u>	<u>\$ 44,196</u>	<u>\$ (3,100,000)</u>	<u>\$ (726,766)</u>
Excess of Revenues & Other Financing Sources Over (under) Expenditures & Other Uses	\$ 597,645	\$ 954,671	\$ 2,987,710	\$ (1,813,956)	\$ 327,121
<b>Fund Balance July 1</b>	6,536,352	7,133,997	8,088,668	11,076,378	9,262,422
Residual Equity Transfers	-	-	-	-	-
<b>Fund Balance June 30</b>	<u><u>\$ 7,133,997</u></u>	<u><u>\$ 8,088,668</u></u>	<u><u>\$ 11,076,378</u></u>	<u><u>\$ 9,262,422</u></u>	<u><u>\$ 9,589,543</u></u>

Source: Comprehensive Annual Financial Report for Bradley County, Tennessee.

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

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

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

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

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

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

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

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

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

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

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

### ***County Taxation of Property***

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

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

### ***Assessment of Property***

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

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

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

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

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

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

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

### ***Periodic Reappraisal and Equalization***

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

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

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

### ***Valuation for Property Tax Purposes***

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

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

### ***Certified Tax Rate***

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

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

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

### ***Tax Freeze for the Elderly Homeowners***

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

### ***Tax Collection and Tax Lien***

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

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

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*Assessed Valuations.* According to the Tax Aggregate, 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 2017<sup>1</sup>.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Value</u>
Public Utilities	\$ 64,907,540	55%	\$ 148,699,977
Commercial and Industrial	684,592,569	40%	1,711,481,423
Personal Tangible Property	265,197,041	30%	883,990,137
Residential and Farm	<u>1,331,502,697</u>	25%	<u>5,326,010,788</u>
<b>TOTAL</b>	<b><u>\$2,346,199,847</u></b>		<b><u>\$8,070,182,325</u></b>

Source: 2017 Tax Aggregate for Tennessee.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2018 (tax year 2017) is \$2,346,199,847 compared to \$2,116,589,385 for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is \$8,070,182,325 compared to \$7,756,510,101 for tax year 2016.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the County for tax years 2014 through 2018 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2018.

<b>PROPERTY TAX RATES AND COLLECTIONS</b>				<b>Fiscal Yr Collections</b>		<b>Aggregate Uncollected Balance</b>	
<b>Tax Year<sup>1</sup></b>	<b>Assessed Valuation</b>	<b>Tax Rates<sup>2</sup></b>	<b>Taxes Levied</b>	<b>Amount</b>	<b>Pct</b>	<b>As of June 30, 2018 Amount</b>	<b>Pct</b>
2014	\$2,034,069,457	\$1.8721	\$41,550,579	\$39,789,118	95.8%	N/A	
2015	2,054,258,028	1.8721	42,118,560	41,920,628	99.5%	N/A	
2016	2,116,589,385	1.8721	43,551,676	41,966,070	96.4%	N/A	
2017	2,346,199,847	1.7084	44,313,301	41,966,070	94.7%	\$2,347,231	5.3%
2018	2,450,243,310*	1.7084	41,859,957*	<b>IN PROGRESS</b>			

\* Estimated

<sup>1</sup> The tax year coincides with the calendar year; therefore, tax year 2018 is actually fiscal year 2018-2019.

<sup>2</sup> Tax rate does not include county only fire tax (\$0.46).

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*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2017 (tax year 2016), the ten largest taxpayers in the County are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Levied</u>	<u>% of Total Levied</u>
1. Wacker Polysilicon	Solar Manufacturer	\$3,667,355	9.18%
2. Mars-Inc.	Candies, Cookies	571,074	1.43%
3. Whirlpool	Appliance Manufacturer	534,547	1.34%
4. Olin Mathieson	Chemical Company	534,241	1.34%
5. Life Care Centers	Nursing Homes	484,696	1.21%
6. Community Health Systems	Hospitals	422,999	1.06%
7. Duracell/Gillette	Battery Manufacturer	421,770	1.06%
8. Bayer Healthcare	Healthcare	371,963	0.93%
9. Volunteer Energy Corp.	Public Utility	325,516	0.81%
10. Arch Chemicals	Chemical Company	<u>276,835</u>	<u>0.69%</u>
<b>TOTAL</b>		<b><u>\$7,610,996</u></b>	<b><u>19.05%</u></b>

Source: The County.

## INSURANCE

The County participates in the Tennessee County Services Association's self-insurance program for workmen's compensation insurance. This program has been established pursuant of Section 12-9-104(f), *Tennessee Code Annotated*. The County is required to pay into the program according to a formula which will be adjusted each year based upon the loss record of the County.

The County is exposed to various risk of losses related to torts; theft; damage and destruction of assets; errors and omissions; injuries to employees and natural disasters. The County purchases various commercial insurance policies to cover potential claim settlements and judgments. The County reports its risk management activities within the General and Special Revenue Funds. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount can be reasonable estimated.

## PENSION PLANS

Employees of Bradley County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no

service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Bradley 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.

*[balance of page left blank]*

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**BRADLEY COUNTY, TENNESSEE**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2018**

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Bradley County for the fiscal year ended June 30, 2018 which is available upon request from the County.



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
BRADLEY COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2018**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**BRADLEY COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2018**

**COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON**

**DIVISION OF LOCAL GOVERNMENT AUDIT  
JAMES R. ARNETTE  
Director**

**STEVE REEDER, CPA, CGFM, CFE  
Audit Manager**

**MICHAEL FORD, CPA, CGFM  
ANITA SCARLETT, CPA  
Senior Auditors**

**KATHY CLEMENTS, CGFM  
JESSICA COX, CPA, CGFM  
BRANDON MARKS  
TYLER MUSIC  
JENI PALADENI, CISA  
State Auditors**

**D. GARY DAVIS  
County Mayor  
Bradley County, Tennessee**

**This financial report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov)**

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## BRADLEY COUNTY, TENNESSEE

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## ***Summary of Audit Findings***

Comprehensive Annual Financial Report  
Bradley County, Tennessee  
For the Year Ended June 30, 2018

### ***Scope***

We have audited the basic financial statements of Bradley County as of and for the year ended June 30, 2018.

### ***Results***

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

Our audit resulted in four findings and recommendations, which we have reviewed with Bradley 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 COUNTY MAYOR**

- ◆ General Fund general ledger payroll liability accounts were not reconciled.

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#### **OFFICE OF CLERK AND MASTER**

- ◆ Bank statements were not reconciled with the general ledger accurately.

---

#### **OFFICE OF REGISTER OF DEEDS**

- ◆ The office was late in making a payment to the state Department of Revenue resulting in a penalty totaling \$6,130.

---

#### **OFFICES OF COUNTY MAYOR AND CLERK AND MASTER**

- ◆ Duties were not segregated adequately.

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## INTRODUCTORY SECTION

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Office of the  
**Bradley County Mayor**  
**D. Gary Davis**

Phone 423-728-7141  
Facsimile 423-476-0696

P. O. Box 1167  
Cleveland, TN 37364

November 20, 2018

To the Members of the County Commission and  
the Citizens of Bradley County, Tennessee

To obtain a Certificate of Achievement for Excellence in Financial Reporting, the Government Finance Officers Association requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Bradley County, Tennessee, for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of Bradley County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of Bradley County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Bradley County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Bradley County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Bradley County's financial statements have been audited by the State of Tennessee, Comptroller of the Treasury, Division of Local Government Audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of Bradley County for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Bradley County's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Bradley County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Bradley County's MD&A can be found immediately following the report of the independent auditors.

*Tennessee Code Annotated*, section 9-21-408 was amended by 2016 Public Chapter 832 specifically authorizing Bradley County to make interfund loans from the county's endowment fund derived from the sale of Bradley Memorial Hospital. This law became effective on July 1, 2016. In accordance with this law, Bradley County, during fiscal year 2016-2017, borrowed from the endowment for construction of the workhouse.

Governmental Accounting Standards Board Statement No. 34 or GASB 34 requires interfund loans to be reported in the county's financial statements by lowering the fund balance of the fund that will be paying for the loan. However, the balance of the budget document does not show the fund balance lowered. The fund balance in the 2016-2017 financial statements of the audit is lowered by the interfund loan. But the beginning balance in the 2017-2018 budget does not show the fund balance lowered since the interfund loan is from the reserved endowment fund. This difference is based on the GASB 34 statement requirement and the fund balance reported in the budget accurately reflects the beginning fund balance in the fund paying back the loan.

## **PROFILE OF THE GOVERNMENT**

Bradley County, incorporated in 1836, is located in the southeast portion of the State of Tennessee. The county lies in a valley between the Cumberland and Great Smoky Mountains and has an approximate land area of 216,230 acres or 338 square miles and serves a population of approximately 104,091. Bradley County is empowered to levy a property tax on both real and personal properties located within its boundaries.

Bradley County's form of government is one with a popularly elected county mayor who is the administrative head of the county and a popularly elected board of county commissioners, which is the legislative branch of the county. Bradley County's legislative body is composed of 14 members with two members being elected from each of the county's seven districts. The county legislative body assembled in session is authorized to act for the county, including election of officials or confirmation of appointees, fixing salaries, and appropriating money and any other business coming before the body. All funds to be used in the operation of the county must be appropriated for that use by the county legislative body, which can appropriate money only for expenditures sanctioned by state law. It is the duty of the county legislative body to adopt a budget and to appropriate funds for the ensuing fiscal year for all county departments and agencies.

Bradley County provides a full range of services, including police and fire protection; schools; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Bradley County operates.

**Local economy.** Bradley County is a growing area of Tennessee. Businesses as well as individuals recognize the tremendous value the county enjoys in its quality of life as demonstrated in our strong position financially, and our future is bright due to the sound management practices that have enabled the county to maintain solid fund balances. Bradley County is known for its productive agriculture and for its stable diversified industry. Approximately 80 percent of the county's land area is devoted to farming, with income derived primarily from dairy, cotton raising, poultry, tobacco, beef, and various fruits and vegetables. The county has three industrial parks. Northeast Industrial Park is fully developed, and Cleveland-Bradley County Industrial Park has only 30 of its total 330 acres remaining for development. The Hiwassee River Industrial Park has approximately 15 of its total 121 acres available for development. There are approximately 147 industrial concerns in the county. Property for a new industrial park was purchased by Bradley County Government and the City of Cleveland, and development of the park was recently completed. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include household cooking equipment, newspaper and pulp plant, distribution centers, alkaline batteries, hosiery, candy, cakes, cookies, dairy products, photo finishing, clothing manufacturing, and Polysilicone.

A diverse manufacturing and industrial base adds to the relative stability of the employment rate. Bradley County has an employed labor force of approximately 48,960. There are many exciting projects underway for the county. Some of which are as follows:

- Whirlpool Corp. is one of Bradley County's largest tax payers and employers with approximately 1,400 employees. Whirlpool Corp. has completed its new 1.4 million square-foot facility. This has allowed Bradley County to retain its current jobs, while adding an additional 130 positions.
- Volkswagen has completed its commitment to invest over \$1 billion for a manufacturing plant in nearby Hamilton County and is currently shipping Chattanooga-built Passats around the country. Bradley County, as well as other counties in the area, is benefiting from the over 2,000 jobs created by direct employment at the Volkswagen facility, as well as the estimated additional 9,500 jobs that have been and will continue to be created in the region through construction and supplier activity. They recently announced an expansion to add a SUV production line, which will add another 2,000 jobs.
- Wacker Chemie AG, a Munich, Germany-based Company, has completed construction of a new facility in Bradley County with an estimated capital investment of \$2.4 billion and initial employment of approximately 650 highly skilled workers. The new facility

produces hyper pure polycrystalline silicon, a key component in photovoltaic for solar energy and semiconductors for the electronics industry.

- Amazon distribution center is open in Bradley County and at peak times of the year, Amazon employs more than 1,000 people with a permanent workforce of approximately 400 employees.
- The Industrial Development Board continues to recruit new industries as well as to promote job growth within existing industries.

Several major tourist attractions are located in the county: Red Clay State Historical Area, primitive Indian settlements, Church of God of Prophecy World Headquarters, and the Church of God general offices, which house one of the largest mosaic murals in the southern United States. The Cherokee National Forest and Ocoee River whitewater rafting facilities are located within a few minutes drive.

## **FINANCIAL POLICIES**

**Accounting system and internal control.** The county's accounting system is organized on a "fund" basis. Each fund is a distinct self-balancing accounting entity. The county's day-to-day accounting records are maintained on a cash basis. For financial reporting purposes, the accounting records are converted to the modified and full accrual basis for all applicable funds. On the modified accrual basis, revenues are recognized when measurable and available, and expenditures are recognized when goods or services are received. On the accrual basis, revenues are recognized when earned; expenses are recognized when incurred.

In developing the county's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

**Budget control policy.** The annual budget serves as the foundation for Bradley County's financial planning and control. All departments of the county are required to submit requests for appropriation to the county mayor in April of each year. The county mayor then presents the budget requests to the full County Commission for review. The county mayor uses these requests as the starting point for developing a proposed budget. The Finance Committee may hold public hearings on the budget requests. The County Commission adopts a final budget by late June or early July each year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Transfers of appropriations require special approval of the County Commission. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General, Special Purpose Fire Tax, and Highway/Public Works funds, these comparisons are presented as part of basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the combining and individual fund financial statements and schedules section of this report.

**Minimum fund balance policy.** It is the objective of the County Commission to maintain a managed budgeted fund balance in the various operating funds at a level sufficient for temporary financing of unforeseen emergency needs and to permit orderly adjustment to changes resulting from termination of revenue sources through actions of other governmental bodies. Sufficient levels of fund balances can ensure continued orderly operations and tax structure stability. The percentage is calculated by taking unassigned fund balance or working capital as a percent of expenditures or operating expenses and transfers to other funds. These fund balances are reviewed annually by the county mayor, director of finance, School Board, and road superintendent.

**Revenue policy.** The county will charge fees for services where such an approach is permissible by state and federal law and where a group of beneficiaries who can pay such fees is identifiable. New and expanded unrestricted revenue sources should be applied first to support existing programs prior to funding new programs. The county will pursue federal, state, and private grants but will strictly limit financial support of these programs to avoid commitments that continue beyond available funding. The county will continuously seek new revenues and pursue a diverse revenue base to limit the dependence on one or only a few revenue sources. This revenue diversity will shelter the county from short-time fluctuations in any one revenue source.

## **CAPITAL IMPROVEMENT AND LONG-TERM PLANNING**

The purpose of the capital improvements plan is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance with established policies. Proposed capital projects will be reviewed regarding accurate costing and overall consistency with the county's goals and objectives. Financing sources will then be identified for the highest ranking projects.

Bradley County has several long-term goals. Some of those include:

- Continuing to replace some of the older bridges in the county through the Road Department bridge program
- Continuing better working relationships with city government
- Reducing debt for the county
- Addressing school needs for both buildings and programs
- Developing a five-year plan for schools, other agencies, and county funds
- Continuing to improve efficiency in county departments
- Recruiting businesses
- Extending water lines in the rural areas of the county

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bradley County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This is the thirteenth year that Bradley County has received this prestigious award.

In addition, the county also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the last eight years. In order to qualify for the

Distinguished Budget Presentation Award, the county's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, and operations guide, and a communications device.

The financial information is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. The person primarily responsible for preparing this document is Rena' Samples, Finance Director for Bradley County. Especially important is to recognize the people of the Finance Department and Human Resources Department who helped make this report possible: Sharon Sandidge, Tracy Cook, and Angie Kaylor. Each contributed to the many daily efforts required to operate our office. For questions concerning any of the information provided, please contact the Finance Office at 155 Broad Street, Cleveland, Tennessee 37311.

Respectfully submitted,

A handwritten signature in cursive script that reads "Rena' Samples".

Rena' Samples  
Finance Director

A handwritten signature in cursive script that reads "D. Gary Davis".

D. Gary Davis  
County Mayor



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

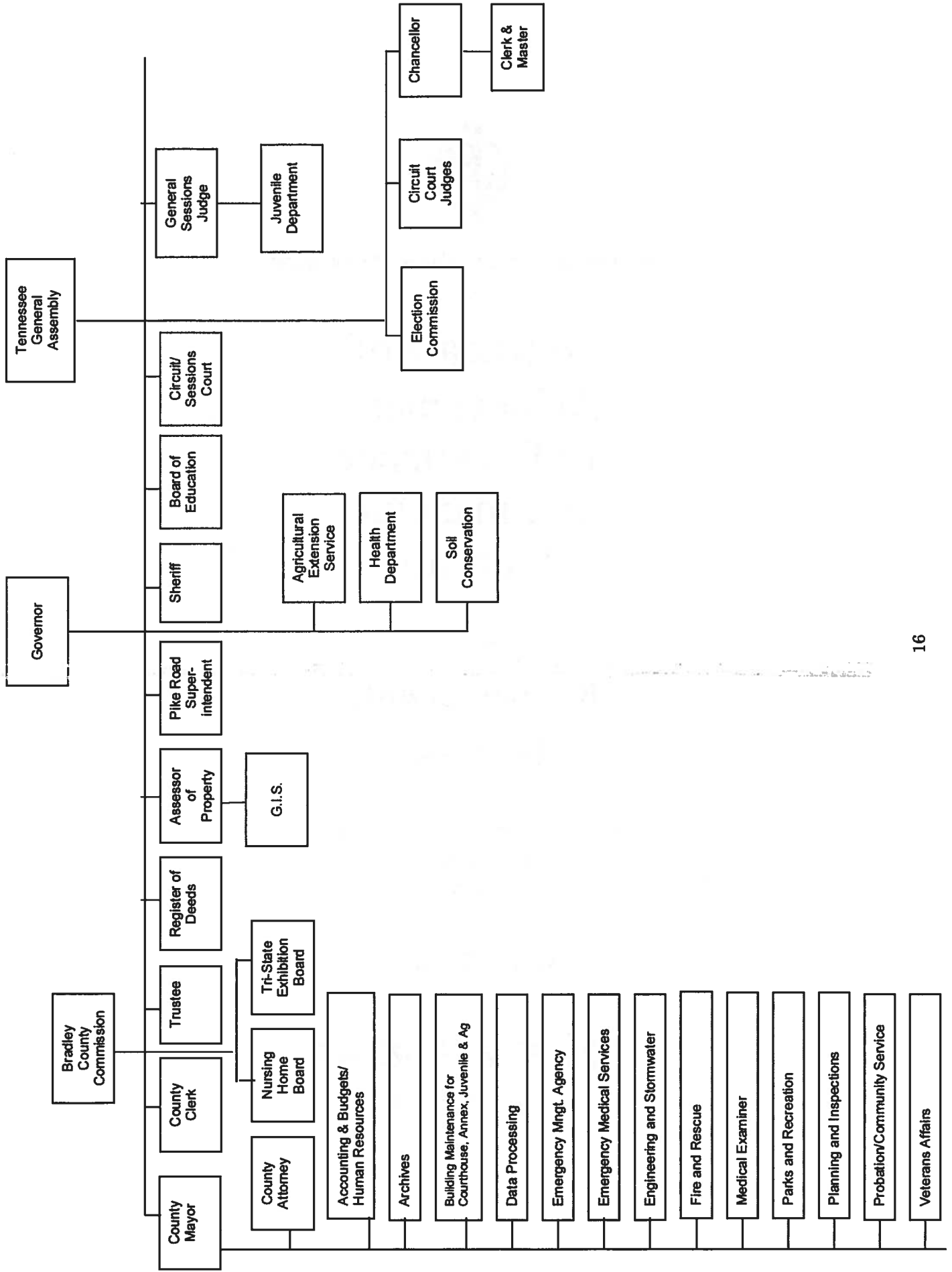
**Bradley County  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



**Bradley County Officials**  
**June 30, 2018**

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**Officials**

County Mayor  
Road Superintendent  
Director of Schools  
Trustee  
Assessor of Property  
County Clerk  
Circuit and General Sessions Courts Clerk  
Clerk and Master  
Register of Deeds  
Sheriff  
Finance Director  
Agricultural Extension Director  
Building Inspection  
County Attorney  
Emergency Management  
Engineering and Planning  
Fire Chief and Ambulance Service Director  
GIS  
Health Department  
Human Resources Administrator  
Juvenile Services  
Parks and Recreation Director  
Probation Services/Courts Community Service  
Veterans Affairs

D. Gary Davis  
Sandra Knight  
Dr. Linda Cash  
Mike Smith  
Stanley Thompson  
Donna Alley Simpson  
Gayla Miller  
Holly Thompson  
Dina Swafford  
Eric Watson  
Rena Samples  
Kim Frady  
Ronald Wilson  
Crystal Freiberg  
Troy Spence  
Bentley Thomas  
Shawn Fairbanks  
Wayne Owenby  
Eloise Waters  
Tracy Cook  
Terry Gallaher  
Andy Lockhart  
Rich Kienlen  
Larry McDaris

**Board of County Commissioners**

District 1  
District 1  
District 2  
District 2  
District 3  
District 3  
District 4  
District 4  
District 5  
District 5

Terry Caywood  
Mike Hughes  
Louie Alford, Chairman  
Thom Crye  
Milan Blake  
Johnny Mull  
Howard Thompson  
Charlotte Peak  
Bobby Goins  
Jeff Yarber

## Bradley County Officials (Cont.)

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### Board of County Commissioners (Cont.)

District 6  
District 6  
District 7  
District 7

Dan Rawls  
Robert Rominger  
Mark Hall  
Bill Winters

### Audit Committee

Dan Rawls, Chairman  
Milan Blake  
Alan Burns  
Thom Crye

Charlotte Peak  
William Stuart  
Dr. Dewayne Thompson

### Board of Education

Rodney Dillard, Chairman  
Vicki Beaty  
Ted Bryson  
Dianna Calfee

Nancy Casson  
Jerry Frazier  
Amanda Lee

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## FINANCIAL SECTION

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

### Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bradley County, Tennessee, as of and for the year ended June 30, 2018, 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 Bradley Healthcare and Rehabilitation Center, which represent 5.22 percent, 7.06 percent, and 12.55 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. 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 Bradley Healthcare and Rehabilitation Center, is based solely on the report of the other auditors. 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 Bradley County, Tennessee, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General, Special Purpose Fire Tax, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note V.B., Bradley County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter***

We draw attention to Note I.D.9. to the financial statements, which describes restatements increasing the beginning Governmental Activities net position of the Primary Government by \$904,059 and decreasing the beginning net position of the discretely presented Bradley County School Department by \$2,041,920 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 24-34 and the schedule of changes in the county's net pension liability and related ratios, schedule of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedules of county

and schools total OPEB liability and related ratios on pages 143-153 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 Bradley 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 Bradley County School Department (a discretely presented component unit), miscellaneous schedules, and the other information such as the introductory section, management's corrective action plan, and statistical section 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.

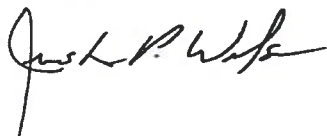
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Bradley County School Department (a discretely presented component unit), schedule 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 Bradley 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, management's corrective action plans, and statistical section 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 November 28, 2018, on our consideration of Bradley 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 Bradley 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 Bradley County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

November 28, 2018

JPW/yu

## **Management's Discussion and Analysis**

As management of Bradley County, we offer readers of the Bradley County financial statements this narrative overview and analysis of the financial activities of the county for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### **Financial Highlights**

- The assets and deferred outflows of resources of Bradley County's Primary Governmental Activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$39,231,047 (net position).
- As of the close of the current fiscal year, Bradley County's governmental funds reported combined ending fund balances of \$38,585,458. Of this amount, \$16,099,941 is set aside for endowments, \$3,713,907 is restricted funds with externally enforceable limitations on use, \$11,069,587 is committed by the county's legislative body to a specific fund or use, and \$1,559,191 is assigned by its intended use.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,366,409 or 22 percent of total General Fund expenditures while total fund balance of \$9,589,543 represents 25 percent of that same amount. The reserve policy of the county requires a minimum unassigned fund balance of at least ten percent, which is within the boundaries of our policy.
- Bradley County's total long-term debt increased by \$6,683,022 during the current fiscal year. Scheduled annual debt payments lowered the previous debt by \$5,417,603, while the issuance of new debt in the amount of \$12,100,625 makes up the increase. The new debt was issued to cover the construction of the new Lake Forest Middle School, Spring Branch Industrial Park, Recreation Field Lighting, and Courthouse/Annex Energy Program.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Bradley County's basic financial statements. The county's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) major special revenue funds budgetary statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of Bradley County's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the county that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the county include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The county has no business-type activities to report.

The government-wide financial statements include not only Bradley County itself (known as the primary government), but also a legally separate school district and a nursing home for which Bradley County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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

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

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

Bradley County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Special Purpose Fire Tax, Highway/Public Works, General Debt Service, Education Capital Projects, and the Endowment funds, all of which are considered to be major funds. Data from the other

governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Bradley County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary funds.** Bradley County and the Bradley County School Department do not have any proprietary funds. The discretely presented Bradley Healthcare and Rehabilitation Center uses an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary funds.** Fiduciary funds are used to account for revenues held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Bradley County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds (economic resources measurement) except agency funds, which have no measurement focus.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bradley County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,231,047 at the close of the most recent fiscal year.

The Constitution for the State of Tennessee only allows the local legislative body authorization to issue debt. Therefore, whenever the Bradley County Board of Education requires additional money to fund school construction and equipment, the related debt must be issued by Bradley County Government.

As of June 30, 2018, Bradley County had outstanding debt totaling \$68,315,763 for capital purposes of education (\$51,514,934 for county schools and \$16,800,829 for city schools). The capital assets are reported in the financial statements of the Bradley County Board of Education and the Board of Education of the City of Cleveland, respectively. Bradley County has incurred the related liability, significantly decreasing its unrestricted net position without a corresponding increase in the county's capital assets.

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

Table 1a

## BRADLEY COUNTY'S NET POSITION

	Bradley County Government		Bradley County School Department	
	2018	2017	2018	2017
Current and Other Assets	\$ 83,765,099	\$ 90,077,914	\$ 33,568,447	\$ 35,757,773
Capital Assets	63,879,264	57,263,645	84,705,700	69,469,264
Total Assets	<u>\$ 147,644,363</u>	<u>\$ 147,341,559</u>	<u>\$ 118,274,147</u>	<u>\$ 105,227,037</u>
Deferred Outflows of Resources	\$ 7,214,343	\$ 8,127,675	\$ 8,895,664	\$ 12,867,156
Long-term Liabilities	\$ 78,927,932	\$ 75,028,503	\$ 13,237,223	\$ 17,765,441
Other Liabilities	9,094,586	8,706,591	24,065,893	26,962,565
Total Liabilities	<u>\$ 88,022,518</u>	<u>\$ 83,735,094</u>	<u>\$ 37,303,116</u>	<u>\$ 44,728,006</u>
Deferred Inflows of Resources	\$ 27,605,141	\$ 26,870,948	\$ 19,636,106	\$ 19,564,579
Net Position:				
Net Investment in				
Capital Assets	\$ 53,085,664	\$ 45,215,109	\$ 84,705,700	\$ 69,469,264
Restricted	20,727,875	23,154,521	2,044,703	3,144,411
Unrestricted	(34,582,492)	(23,506,438)	(16,519,814)	(18,812,067)
Total Net Position	<u>\$ 39,231,047</u>	<u>\$ 44,863,192</u>	<u>\$ 70,230,589</u>	<u>\$ 53,801,608</u>

	Rehabilitation	
	2018	2017
Current and Other Assets	\$ 5,013,490	\$ 5,883,805
Capital Assets	1,494,969	1,596,009
Total Assets	<u>\$ 6,508,459</u>	<u>\$ 7,479,814</u>
Long-term Liabilities	\$ 0	\$ 0
Other Liabilities	1,173,410	1,515,470
Total Liabilities	<u>\$ 1,173,410</u>	<u>\$ 1,515,470</u>
Net Position:		
Net Investment in Capital Assets	\$ 1,494,969	\$ 1,596,009
Restricted	373,348	370,633
Unrestricted	3,466,732	3,997,702
Total Net Position	<u>\$ 5,335,049</u>	<u>\$ 5,964,344</u>

An additional portion of Bradley County's governmental activities assets (\$20,727,875) represents resources that are subject to external restrictions on how they may be used.

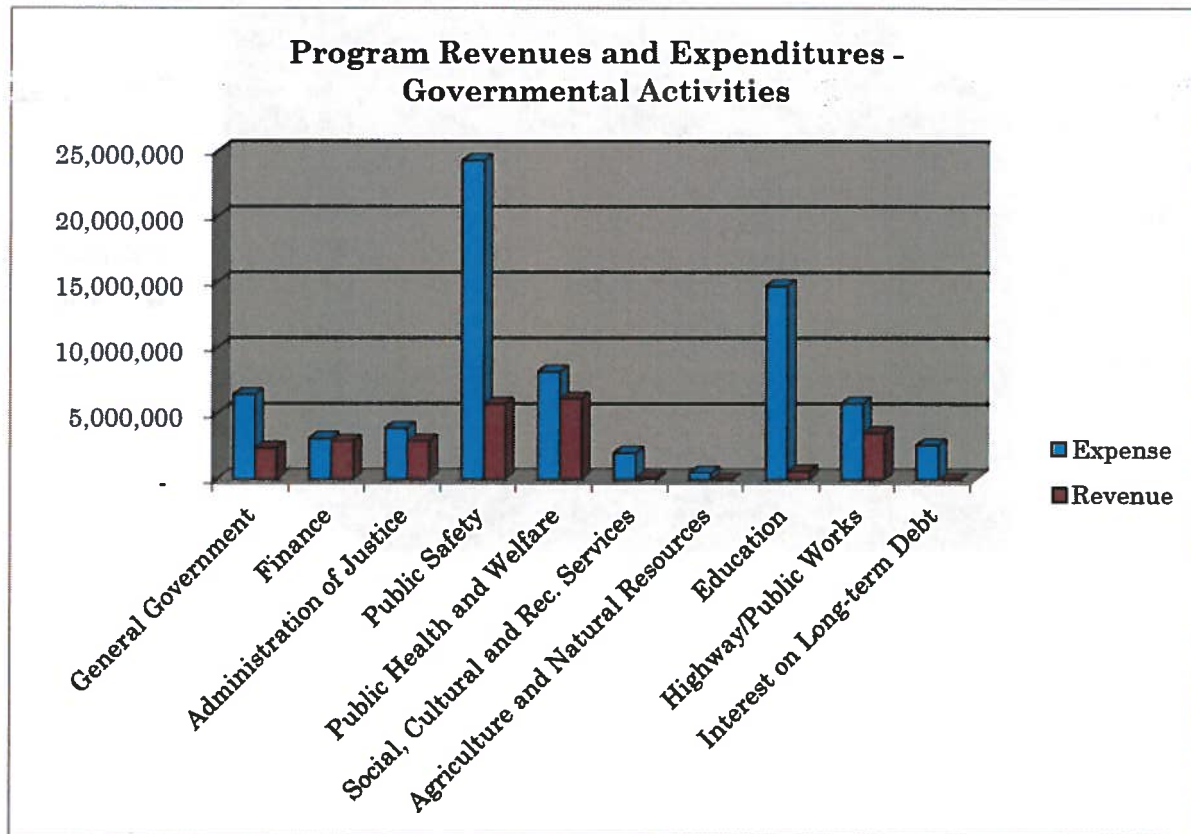
At the end of the current fiscal year, Bradley County is able to report positive balances in net position in the primary government and the discretely presented component units - the School Department and the Bradley Healthcare and Rehabilitation Center.

#### BRADLEY COUNTY'S CHANGES IN NET POSITION

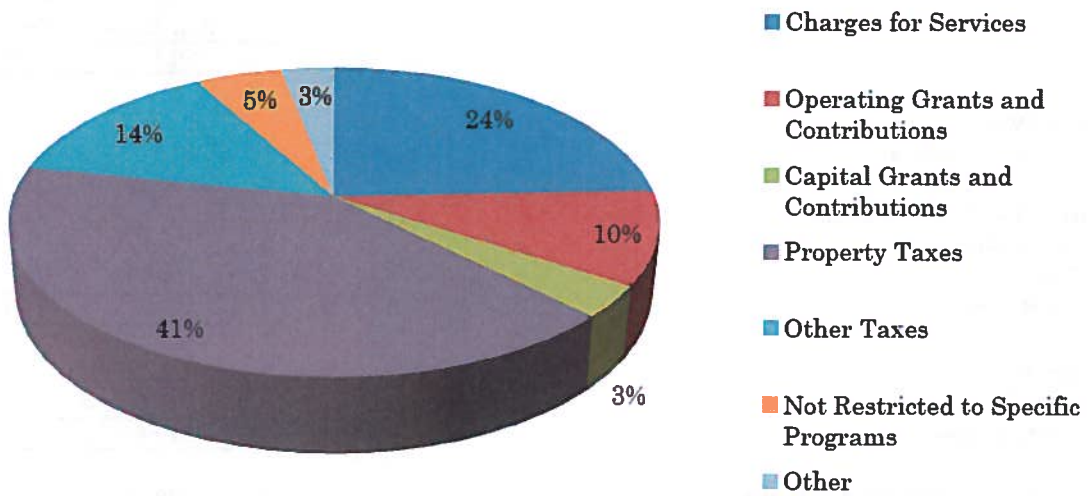
	Bradley County Government		Bradley County School Department	
	2018	2017	2018	2017
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 15,792,394	\$ 8,551,461	\$ 1,608,358	\$ 1,497,099
Operating Grants and Contributions	6,272,744	21,290,932	11,106,429	10,276,084
Capital Grants and Contributions	2,170,810	1,903,423	8,099,242	1,040,000
General Revenues:				
Property Taxes	26,436,897	26,139,386	12,778,425	12,318,032
Other Taxes	8,941,422	9,502,665	12,212,171	12,142,856
Grants and Contributions not Restricted to Specific Programs	3,276,868	3,059,463	52,366,069	48,168,352
Other	2,046,715	664,187	1,441,183	93,584
<b>Total Revenues</b>	<b>\$ 64,937,850</b>	<b>\$ 71,111,517</b>	<b>\$ 99,611,877</b>	<b>\$ 85,536,007</b>
<b>Expenses</b>				
General Government	\$ 6,437,351	\$ 5,645,491	\$ 0	\$ 0
Finance	3,119,765	3,159,762	0	0
Administration of Justice	3,884,390	3,844,526	0	0
Public Safety	24,270,352	23,351,008	0	0
Public Health and Welfare	8,176,867	7,617,898	0	0
Social, Cultural, and Rec. Services	2,007,474	1,943,199	0	0
Agriculture and Natural Resources	502,051	481,870	0	0
Highways/Public Works	5,771,431	4,751,820	0	0
Education	14,700,625	17,465,352	81,140,976	92,086,955
Interest on Long-term Debt	2,603,748	2,308,726	0	0
<b>Total Expenses</b>	<b>\$ 71,474,054</b>	<b>\$ 70,569,652</b>	<b>\$ 81,140,976</b>	<b>\$ 92,086,955</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (6,536,204)</b>	<b>\$ 541,865</b>	<b>\$ 18,470,901</b>	<b>\$ (6,550,948)</b>
<b>Net Position, July 1</b>	<b>44,863,192</b>	<b>44,321,327</b>	<b>53,801,608</b>	<b>60,352,556</b>
<b>Restatement</b>	<b>904,059</b>	<b>0</b>	<b>(2,041,920)</b>	<b>0</b>
<b>Net Position, June 30</b>	<b>\$ 39,231,047</b>	<b>\$ 44,863,192</b>	<b>\$ 70,230,589</b>	<b>\$ 53,801,608</b>

# BRADLEY COUNTY'S CHANGES IN NET POSITION

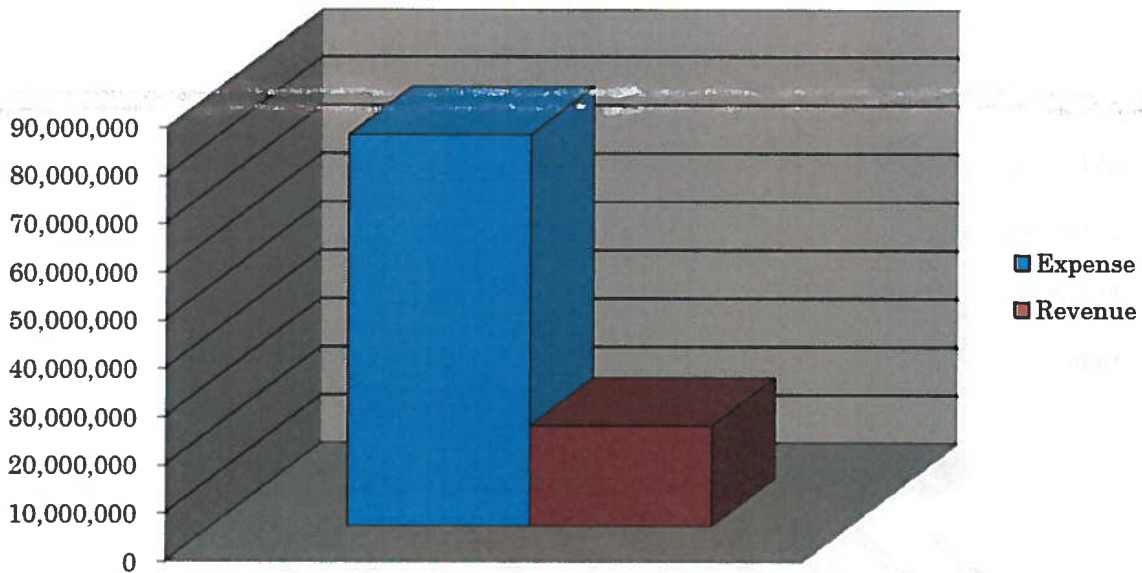
	Bradley Healthcare and Rehabilitation Center	
	2018	2017
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 14,266,251	\$ 15,134,727
Grants and Contributions	0	0
General Revenues:		
Other	30,110	15,730
<b>Total Revenues</b>	<b>\$ 14,296,361</b>	<b>\$ 15,150,457</b>
<b>Expenses</b>		
Other Enterprise	\$ 14,925,656	\$ 14,719,541
<b>Total Expenses</b>	<b>\$ 14,925,656</b>	<b>\$ 14,719,541</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (629,295)</b>	<b>\$ 430,916</b>
<b>Net Position, July 1</b>	<b>5,964,344</b>	<b>5,533,428</b>
<b>Net Position, June 30</b>	<b>\$ 5,335,049</b>	<b>\$ 5,964,344</b>

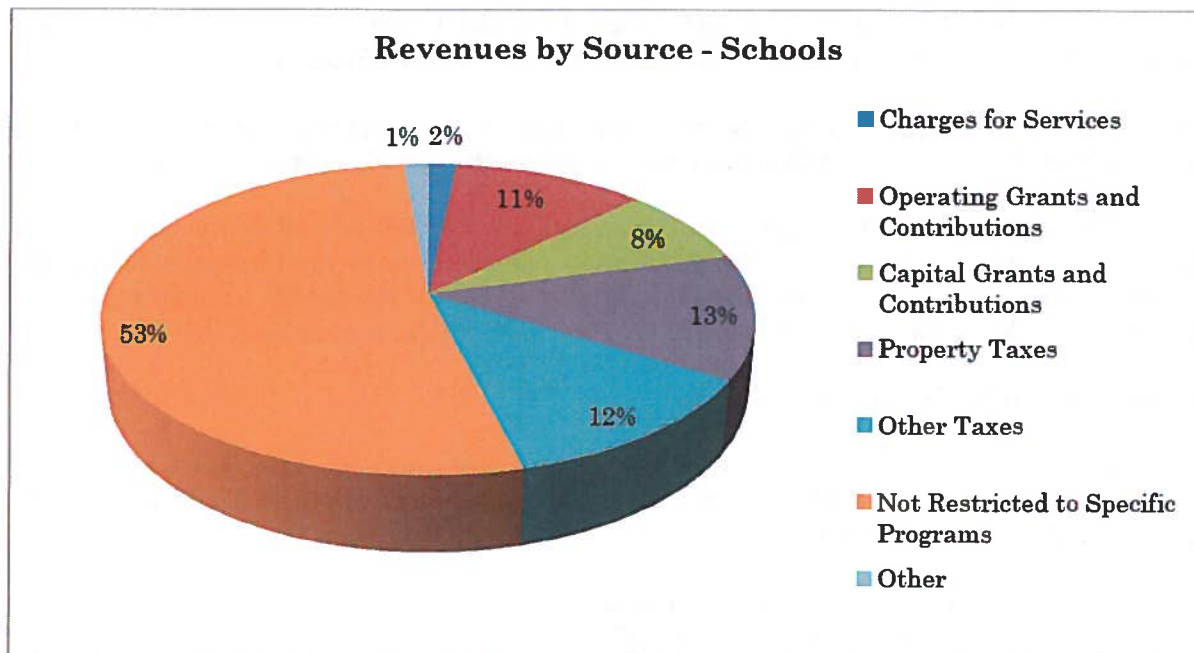


### Revenues by Source - Governmental Activities



### Program Revenues and Expenses - Schools





### Financial Analysis of the Government's Funds

As noted earlier, Bradley County uses fund accounting to ensure and demonstrate compliance with finance-relegated legal requirements.

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

Bradley County has maintained a stabilized financial position.

As of the close of the current fiscal year, Bradley County's governmental funds reported combined ending fund balances of \$38,585,458. Of this amount, \$16,099,941 is set aside for endowments, \$3,713,907 is restricted with externally enforceable limitations on use, \$11,069,587 is committed by the county's legislative body to a specific fund or use, and \$1,559,191 is assigned by its intended use.

The General Fund is the chief operating fund of Bradley County. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,366,409 or 22 percent of total General Fund expenditures while total fund balance of \$9,589,543 represents 25 percent of that same amount. The minimum fund balance policy of the county requires a minimum unassigned fund balance of at least ten percent, which is within the boundaries of our policy. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

During the current fiscal year, the fund balance of Bradley County's General Fund increased by \$327,121. The key factor was a slight increase in taxes over 2016-2017.

During the current fiscal year, the fund balances of the Highway/Public Works Fund decreased by \$150,357. This was mainly due to increased expenditures over revenue.

The General Debt Service Fund has a total fund balance of \$6,885,123 all of which is allocated for the payment of debt service. The \$2,449,489 net decrease in fund balance during the current year in the General Debt Service Fund was due to the GASB 34 requirement of reporting a liability for interfund loans in the fund that will be paying back the debt.

### **General Fund Budgetary Highlights**

The difference between the original budget expenditures and the final amended budget expenditures in the General Fund was \$2,358,312 (increase in appropriations) and can be briefly summarized as follows:

- Decreases allocated to General Government - \$(5,077)
- Increases allocated to Finance - \$56,359
- Increases allocated to Administration of Justice - \$362,174
- Increases allocated to Public Safety - \$884,958
- Increases allocated to Public Health and Welfare - \$794,563
- Increases allocated to Social, Cultural, and Recreational - \$211,601
- Increases allocated to Agriculture and Natural Resources - \$0
- Increases allocated to Other Operations - \$53,734

This increase was funded out of miscellaneous increases in various charges for services, grant proceeds, and insurance recovery.

The General Purpose School Fund had an increase in allocations totaling \$5,249,782, which consisted mostly of additional revenue received from the State of Tennessee and an increase in capital outlay.

### **Capital Assets and Debt Administration**

**Capital assets.** The investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. Bradley County's net investment in capital assets for its governmental activities as of June 30, 2018, totals \$53,085,664 (net of accumulated depreciation and related debt). The Bradley County School Department's investment in capital assets for its governmental activities totals \$84,705,700 (net of accumulated depreciation). Related debt for schools is carried in the primary governmental activities.

Major capital assets events during the current fiscal year included the following:

- Purchase of ten vehicles and equipment – Sheriff's Department at \$212,124
- Purchase of equipment – Sheriff's Department at \$132,209
- Purchase of three ambulances – Ambulance Service at \$421,100

- Purchase of construction & equipment – Parks & Recreation at \$209,601

For more detailed information on capital assets activity, please see the relevant disclosures in the notes to the financial statements, Note IV.D.

### Long-term Debt and Other Obligations

Table 3

#### BRADLEY COUNTY

Issued For	General County	County Schools	City Schools	Total Governmental Activity
Bonds	\$ 2,070,000	\$ 11,943,653	\$ 5,606,347	\$ 19,620,000
Other Loans	8,682,639	23,848,504	11,194,482	43,725,625
Capital Leases	40,961	15,722,777	0	15,763,738
Total Bonds, Other Loans, and Capital Leases	\$ 10,793,600	\$ 51,514,934	\$ 16,800,829	\$ 79,109,363
Compensated Absences	1,693,046	0	0	1,693,046
Other Postemployment Benefits	4,520,994	13,198,676	0	17,719,670
Net Pension Liability	136,909	38,547	0	175,456
Total Long-term Debt and Other Obligations	\$ 17,144,549	\$ 64,752,157	\$ 16,800,829	\$ 98,697,535

At the end of the current fiscal year, Bradley County had total bonds, other loans, and capital leases outstanding of \$79,109,363. This amount comprises debt backed by the full faith and credit of the government. This debt increased by \$6,683,022 during the current fiscal year.

For more detailed information on long-term debt activity, please see the relevant disclosures in the notes to the financial statements. Note IV.G. of this report provides additional information regarding capital leases, and Note IV.H. provides additional information regarding general obligation bonds and other loans.

Bradley County maintains an Aa2 rating from Moody's and AA from Standard and Poor's for general obligation debt.

## **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for the county as of June 30, 2018, is 2.9 percent, which has remained level over the past year. The state's average unemployment rate is 3.4 percent and the national average is 3.9 percent. Inflationary trends in the region compare favorably to national indices. All of these factors were considered in preparing the county's budget for the 2018-2019 fiscal year.

A projection of Bradley County's governmental funds reports combined ending fund balances of \$38,585,485. Of this amount, \$16,099,941 is set aside for endowments, \$3,713,907 is restricted by externally enforceable limitations, \$11,069,587 is committed by the county's legislative body to a specific fund or use, and \$1,559,191 is assigned to the intended use. Unassigned fund balance for the General Fund is \$8,366,409 or 22 percent of total General Fund expenditures while total fund balance of \$9,589,543 represents 25 percent of projected expenditures. The minimum fund balance policy of the county requires a fund balance of at least ten percent, which is within the boundaries of our policy.

## **Request for Information**

This financial report is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report, please contact the Finance Office at 155 Broad Street, Cleveland, Tennessee 37311.

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## BASIC FINANCIAL STATEMENTS

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**Exhibit A**

**Bradley County, Tennessee**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Primary Government Governmental Activities</b>	<b>Component Units</b>	
		<b>Bradley County School Department</b>	<b>Bradley Healthcare and Rehabilitation Center</b>
<b>ASSETS</b>			
Cash	\$ 508,248	\$ 5,057	\$ 2,889,901
Equity in Pooled Cash and Investments	35,952,246	17,060,358	0
Accounts Receivable	13,910,314	0	1,620,481
Allowance for Uncollectibles	(12,119,106)	0	(15,250)
Due from Other Governments	2,263,422	3,891,728	0
Due from Component Unit	15,802,777	0	0
Due from Primary Government	0	6,022	0
Inventories	0	0	70,127
Property Taxes Receivable	28,427,031	12,481,802	0
Allowance for Uncollectible Property Taxes	(1,035,428)	(374,184)	0
Prepaid Items	0	0	2,694
Net Pension Asset - Public Employee Retirement Plan	22,464	335	0
Net Pension Asset - Teacher Retirement Plan	0	167,067	0
Net Pension Asset - Teacher Legacy Plan	0	330,262	0
Restricted Assets:			
Other Restricted Assets	0	0	445,537
Notes Receivable - Long-term	33,131	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	5,788,355	1,620,912	1,250
Construction in Progress	7,473,911	16,666,289	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	18,715,702	63,278,319	1,109,688
Infrastructure	25,496,391	0	0
Other Capital Assets	6,404,905	3,140,180	384,031
<b>Total Assets</b>	<b>\$ 147,644,363</b>	<b>\$ 118,274,147</b>	<b>\$ 6,508,459</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 1,742,704	\$ 0	\$ 0
Pension Changes in Experience	898,553	457,956	0
Pension Changes in Assumptions	1,494,036	3,232,464	0
Pension Changes in Investment Earnings	0	50,128	0
Pension Other Deferrals	0	336,135	0
Pension Contributions After Measurement Date	3,079,050	4,242,141	0
OPEB Contributions After Measurement Date	0	576,840	0
<b>Total Deferred Outflows of Resources</b>	<b>\$ 7,214,343</b>	<b>\$ 8,895,664</b>	<b>\$ 0</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 0	\$ 88,779	\$ 357,704
Accrued Payroll	0	6,927,122	701,724
Payroll Deductions Payable	565,017	1,247,215	0
Accrued Interest Payable	254,436	0	0
Due to Primary Government	0	15,802,777	0
Derivative - Interest Rate Swap	1,742,704	0	0
Other Current Liabilities	49	0	41,793
Other Long-term Liabilities	0	0	72,189
Noncurrent Liabilities:			
Due Within One Year	6,532,380	0	0
Due in More Than One Year	78,927,932	13,237,223	0
<b>Total Liabilities</b>	<b>\$ 88,022,518</b>	<b>\$ 37,303,116</b>	<b>\$ 1,173,410</b>

(Continued)

Exhibit A

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

		Component Units	
	Primary Government Governmental Activities	Bradley County School Department	Bradley Healthcare and Rehabilitation Center
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Current Property Taxes	\$ 26,844,550	\$ 11,950,834	\$ 0
Pension Changes in Experience	732,876	7,037,266	0
Pension Changes in Investment Earnings	27,715	16,605	0
Pension Other Deferrals	0	49,550	0
OPEB Changes in Assumptions	0	581,851	0
Total Deferred Inflows of Resources	<u>\$ 27,605,141</u>	<u>\$ 19,636,106</u>	<u>\$ 0</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	\$ 53,085,664	\$ 84,705,700	\$ 1,494,969
Restricted for:			
General Government	199,916	0	0
Finance	28,443	0	0
Administration of Justice	263,967	0	0
Public Safety	1,555,139	0	0
Social, Cultural, and Recreational Services	83,641	0	0
Highways/Public Works	1,854,854	0	0
Education	0	1,547,039	0
Pensions	22,464	497,664	0
Permanent Endowment:			
Nonexpendable	16,099,941	0	337,222
Expendable	619,510	0	36,126
Unrestricted	<u>(34,582,492)</u>	<u>(16,519,814)</u>	<u>3,466,732</u>
Total Net Position	<u>\$ 39,231,047</u>	<u>\$ 70,230,589</u>	<u>\$ 5,335,049</u>

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

Exhibit B

Bradley County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Primary Government			Component Units		
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Bradley County School Department	Bradley Healthcare and Rehabilitation Center
Primary Government:						
Governmental Activities:						
General Government	\$ 6,437,351	\$ 1,067,064	\$ 101,315	\$ 1,189,392	\$ (4,079,580)	\$ 0
Finance	3,119,765	2,899,417	0	0	(220,348)	0
Administration of Justice	3,884,390	2,712,593	195,898	0	(976,899)	0
Public Safety	24,270,352	4,523,454	963,137	240,538	(18,543,223)	0
Public Health and Welfare	8,176,867	4,478,132	1,640,171	0	(2,058,564)	0
Social, Cultural, and Recreational Services	2,007,474	106,206	0	0	(1,902,269)	0
Agriculture and Natural Resources	502,051	0	0	0	(502,051)	0
Highways/Public Works	5,771,431	6,529	2,765,563	740,880	(2,258,459)	0
Education	14,700,625	0	606,660	0	(14,093,965)	0
Interest on Long-term Debt	2,603,748	0	0	0	(2,603,748)	0
Total Governmental Activities	\$ 71,474,054	\$ 15,792,394	\$ 6,272,744	\$ 2,170,810	\$ (47,238,106)	\$ 0
Total Primary Government	\$ 71,474,054	\$ 15,792,394	\$ 6,272,744	\$ 2,170,810	\$ (47,238,106)	\$ 0
Component Units:						
Bradley County School Department	\$ 81,140,976	\$ 1,608,368	\$ 11,106,429	\$ 8,099,242	\$ 0	\$ 0
Bradley Healthcare and Rehabilitation Center	14,925,656	14,266,251	0	0	0	(659,405)
Total Component Units	\$ 96,066,632	\$ 15,874,609	\$ 11,106,429	\$ 8,099,242	\$ 0	\$ (659,405)

(Continued)

Exhibit B

Bradley County, Tennessee  
Statement of Activities (Cont.)

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		Component Units	
					Total Governmental Activities	Bradley County School Department	Bradley County Healthcare and Rehabilitation Center	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes		\$	19,290,446	\$	12,778,425	\$	0	0
Property Taxes Levied for Debt Service			7,146,451		0		0	0
Local Option Sales Taxes			5,423,868		12,103,666		0	0
Hotel/Motel Tax			1,378,304		0		0	0
Litigation Tax - General			315,035		0		0	0
Litigation Tax - Special Purpose			68,315		0		0	0
Litigation Tax - Jail, Workhouse, or Courthouse			64,284		0		0	0
Income Tax			0		101,774		0	0
Business Tax			1,345,096		6,741		0	0
Wholesale Beer Tax			313,791		0		0	0
Interstate Telecommunications Tax			31,729		0		0	0
Other Local Taxes			1,000		0		0	0
Grants and Contributions Not Restricted to Specific Programs			3,278,868		52,366,069		25,000	0
Grants and Contributions Restricted for Debt Service			700,332		0		0	0
Unrestricted Investment Income			817,409		63,178		2,395	0
Sale of Equipment			65,669		0		0	0
Miscellaneous			463,305		1,378,005		2,715	0
Total General Revenues			\$ 40,701,902		\$ 78,797,848		\$ 30,110	
Change in Net Position								
Net Position, July 1, 2017			\$ (6,536,204)		\$ 18,470,901		\$ (629,295)	
Restatements - See Note I.D.9.			44,863,192		53,801,608		5,964,344	
			904,059		(2,041,920)		0	
Net Position, June 30, 2018			\$ 39,231,047		\$ 70,230,589		\$ 5,335,049	

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

Bradley County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2018

	Major Funds				
	General	Special Purpose Fire Tax	Highway / Public Works	General Debt Service	Endowment
<b>ASSETS</b>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Equity in Pooled Cash and Investments	10,388,174	1,194,346	2,148,819	10,174,774	8,018,887
Accounts Receivable	13,844,673	16,227	0	0	9,664
Allowance for Uncollectibles	(12,119,106)	0	0	0	0
Due from Other Governments	1,624,273	0	482,556	139,835	0
Due from Other Funds	4,750	10,941	1,776	210,713	8,690,900
Due from Component Units	0	0	0	0	0
Property Taxes Receivable	10,826,112	4,926,864	2,853,915	8,647,113	0
Allowance for Uncollectible Property Taxes	(338,454)	(380,989)	(85,555)	(247,345)	0
Notes Receivable - Long-term	0	0	0	0	0
Total Assets	\$ 24,235,422	\$ 5,817,439	\$ 5,401,511	\$ 18,925,090	\$ 16,719,451
<b>LIABILITIES</b>					
Payroll Deductions Payable	\$ 248,018	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	2,307,318	0	0	3,607,549	0
Unearned/Unavailable Revenue	49	0	0	0	0
Health Insurance Payments	316,989	0	0	0	0
Total Liabilities	\$ 2,872,384	\$ 0	\$ 0	\$ 3,607,549	\$ 0
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Current Property Taxes	\$ 10,347,438	\$ 4,344,049	\$ 2,732,513	\$ 8,303,470	\$ 0
Deferred Delinquent Property Taxes	126,596	219,574	31,250	83,948	0
Other Deferred/Unavailable Revenue	1,299,461	0	200,405	45,000	0
Total Deferred Inflows of Resources	\$ 11,773,495	\$ 4,563,623	\$ 2,964,168	\$ 8,432,418	\$ 0

(Continued)

Exhibit C-1

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

	Major Funds				
	General	Special Purpose Fire Tax	Highway / Public Works	General Debt Service	Endowment
<b>FUND BALANCES</b>					
Nonspendable:					
Endowments	\$	0 \$	0 \$	0 \$	0 \$ 16,099,941
Restricted:					
Restricted for General Government	199,916	0	0	0	0
Restricted for Finance	28,443	0	0	0	0
Restricted for Administration of Justice	231,515	0	0	0	0
Restricted for Public Safety	38,898	1,140,642	0	0	0
Restricted for Social, Cultural, and Recreational Services	0	0	0	0	0
Restricted for Highways/Public Works	0	0	1,779,217	0	0
Restricted for Capital Outlay	0	0	0	0	0
Committed:					
Committed for General Government	0	0	0	0	0
Committed for Finance	0	0	0	0	0
Committed for Administration of Justice	27,725	0	0	0	0
Committed for Public Health and Welfare	0	0	0	0	619,510
Committed for Social, Cultural, and Recreational Services	0	0	0	0	0
Committed for Other Operations	22,864	0	0	0	0
Committed for Capital Outlay	0	0	0	0	0
Committed for Debt Service	0	0	0	6,885,123	0
Assigned:					
Assigned for General Government	102,709	0	0	0	0
Assigned for Finance	110,235	0	0	0	0
Assigned for Administration of Justice	27,778	0	0	0	0
Assigned for Public Safety	285,380	113,174	0	0	0
Assigned for Public Health and Welfare	53,935	0	0	0	0
Assigned for Social, Cultural, and Recreational Services	60,512	0	0	0	0

(Continued)

Exhibit C-1

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

	Major Funds				
	General	Special Purpose Fire Tax	Highway / Public Works	General Debt Service	Endowment
<b>FUND BALANCES (Cont.)</b>					
Assigned (Cont.):					
Assigned for Agriculture and Natural Resources	\$ 28,807	\$ 0	\$ 0	\$ 0	\$ 0
Assigned for Other Operations	4,417	0	0	0	0
Assigned for Highways/Public Works	0	0	658,126	0	0
Assigned for Capital Outlay	0	0	0	0	0
Unassigned	8,366,409	0	0	0	0
Total Fund Balances	\$ 9,589,543	\$ 1,253,816	\$ 2,437,343	\$ 6,885,123	\$ 16,719,451
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 24,235,422	\$ 5,817,439	\$ 5,401,511	\$ 18,925,090	\$ 16,719,451

(Continued)

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

	Nonmajor Funds	Other Govern- mental Funds	Total Governmental Funds
--	-------------------	-------------------------------------	--------------------------------

ASSETS

Cash	\$	508,248	\$	508,248
Equity in Pooled Cash and Investments		3,816,533		35,741,533
Accounts Receivable		39,750		13,910,314
Allowance for Uncollectibles		0		(12,119,106)
Due from Other Governments		16,758		2,263,422
Due from Other Funds		5,000		8,924,080
Due from Component Units		80,000		80,000
Property Taxes Receivable		1,173,027		28,427,031
Allowance for Uncollectible Property Taxes		(38,135)		(1,035,428)
Notes Receivable - Long-term		33,131		33,131
Total Assets	\$	5,634,312	\$	76,733,225

LIABILITIES

Payroll Deductions Payable	\$	0	\$	248,018
Due to Other Funds		2,798,500		8,713,367
Unearned/Unavailable Revenue		0		49
Health Insurance Payments		0		316,999
Total Liabilities	\$	2,798,500	\$	9,278,433

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$	1,117,080	\$	26,844,550
Deferred Delinquent Property Taxes		14,550		475,918
Other Deferred/Unavailable Revenue		4,000		1,548,866
Total Deferred Inflows of Resources	\$	1,135,630	\$	28,869,334

(Continued)

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

	Nonmajor Funds	Other Govern- mental Funds	Total Governmen- tal Funds
<u>FUND BALANCES</u>			
Nonspendable:			
Endowments			
Restricted:			
Restricted for General Government			
Restricted for Finance			
Restricted for Administration of Justice			
Restricted for Public Safety			
Restricted for Social, Cultural, and Recreational Services			
Restricted for Highways/Public Works			
Restricted for Capital Outlay			
Committed:			
Committed for General Government			
Committed for Finance			
Committed for Administration of Justice			
Committed for Public Health and Welfare			
Committed for Social, Cultural, and Recreational Services			
Committed for Other Operations			
Committed for Capital Outlay			
Committed for Debt Service			
Assigned:			
Assigned for General Government			
Assigned for Finance			
Assigned for Administration of Justice			
Assigned for Public Safety			
Assigned for Public Health and Welfare			
Assigned for Social, Cultural, and Recreational Services			
	\$	0 \$	16,099,941
		0	199,916
		0	28,443
		32,452	263,967
		156,025	1,335,565
		73,668	73,668
		0	1,779,217
		33,131	33,131
		85,667	85,667
		317,700	317,700
		106,290	134,015
		1,996,288	2,615,798
		118,027	118,027
		0	22,864
		890,393	890,393
		0	6,885,123
		0	102,709
		0	110,235
		0	27,778
		842	399,396
		23,500	77,435
		0	60,512

(Continued)

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

	Nonmajor Funds		Total Governmental Funds
	Other	Govern- mental Funds	
<u>FUND BALANCES (Cont.)</u>			
Assigned (Cont.):			
Assigned for Agriculture and Natural Resources	\$ 0	\$ 0	\$ 28,807
Assigned for Other Operations	0	0	4,417
Assigned for Highways/Public Works	0	0	658,126
Assigned for Capital Outlay	89,776	89,776	89,776
Unassigned	(2,223,577)		6,142,832
Total Fund Balances	\$ 1,700,182	\$ 38,585,458	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,634,312	\$ 76,733,225	

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

# Exhibit C-2

## Bradley County, Tennessee Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2018

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)		\$ 38,585,458
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Add: land	\$ 5,788,355	
Add: construction in progress	7,473,911	
Add: buildings and improvements net of accumulated depreciation	18,715,702	
Add: infrastructure net of accumulated depreciation	25,496,391	
Add: other capital assets net of accumulated depreciation	<u>6,404,905</u>	63,879,264
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (19,620,000)	
Less: other loans payable	(43,725,625)	
Less: capital leases payable	(15,763,738)	
Add: debt to be contributed by the School Department	15,722,777	
Less: interest accrued on bonds, other loans, and capital leases	(254,436)	
Less: OPEB Liability	(4,520,994)	
Less: compensated absences payable	(1,693,046)	
Less: net pension liability - public employee agent plan	<u>(136,909)</u>	(69,991,971)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 5,471,639	
Less: deferred inflows of resources related to pensions	<u>(760,591)</u>	4,711,048
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - public employee retirement plan		22,464
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>2,024,784</u>
Net position of governmental activities (Exhibit A)		<u>\$ 39,231,047</u>

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

Bradley County, Tennessee  
**Statement of Revenues, Expenditures,  
and Changes in Fund Balances**  
Governmental Funds  
For the Year Ended June 30, 2018

	Major Funds					
	General	Special Purpose Fire Tax	Highway / Public Works	General Debt Service	Education Capital Projects	Endowment
<b>Revenues</b>						
Local Taxes	\$ 20,836,812	\$ 5,234,428	\$ 2,928,539	\$ 7,819,738	\$ 0	\$ 0
Licenses and Permits	476,468	0	0	0	0	0
Fines, Forfeitures, and Penalties	578,249	0	0	0	0	0
Charges for Current Services	5,912,470	0	0	0	0	0
Other Local Revenues	1,224,097	5,657	60,111	2,940	0	212,279
Fees Received From County Officials	2,646,865	0	0	0	0	0
State of Tennessee	5,273,899	34,800	3,600,749	284,365	0	0
Federal Government	514,180	11,991	0	305,678	0	0
Other Governments and Citizens Groups	1,954,725	25,000	0	1,160,079	0	0
<b>Total Revenues</b>	<b>\$ 39,417,565</b>	<b>\$ 5,311,876</b>	<b>\$ 6,589,399</b>	<b>\$ 9,572,800</b>	<b>\$ 0</b>	<b>\$ 212,279</b>
<b>Expenditures</b>						
Current:						
General Government	\$ 2,331,593	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,672,410	0	0	0	0	0
Administration of Justice	3,764,492	0	0	0	0	0
Public Safety	19,331,373	4,305,276	0	0	0	0
Public Health and Welfare	8,177,892	0	0	0	0	168,972
Social, Cultural, and Recreational Services	1,332,413	0	0	0	0	0
Agriculture and Natural Resources	517,684	0	0	0	0	0
Other Operations	1,235,821	100,697	0	155,020	0	0
Highways	0	0	6,336,280	0	0	0
Debt Service:						
Principal on Debt	0	0	0	5,378,011	0	0
Interest on Debt	0	0	0	2,751,613	0	0
Other Debt Service	0	0	0	350,558	0	0

(Continued)

Exhibit C-3

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

	Major Funds					
	General	Special Purpose Fire Tax	Highway / Public Works	General Debt Service	Education Capital Projects	Endowment
<b>Expenditures (Cont.)</b>						
Capital Projects	\$ 0 \$	0 \$	403,476 \$	0 \$	0 \$	0
Capital Projects - Donated	0	0	0	0	12,100,625	0
Total Expenditures	\$ 38,363,678 \$	4,405,973 \$	6,739,756 \$	8,635,202 \$	12,100,625 \$	168,972
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ 1,053,887 \$	905,903 \$	(150,357) \$	937,598 \$	(12,100,625) \$	43,307
<b>Other Financing Sources (Uses)</b>						
Other Loans Issued	\$ 0 \$	0 \$	0 \$	0 \$	12,100,625 \$	0
Insurance Recovery	15,000	16,227	0	0	0	0
Transfers In	100,000	0	0	210,712	0	0
Transfers Out	(841,766)	(210,712)	0	(3,597,799)	0	0
Total Other Financing Sources (Uses)	\$ (726,766) \$	(194,485) \$	0 \$	(3,387,087) \$	12,100,625 \$	0
<b>Net Change in Fund Balances</b>	\$ 327,121 \$	711,418 \$	(150,357) \$	(2,449,489) \$	0 \$	43,307
<b>Fund Balance, July 1, 2017</b>	9,262,422	542,398	2,587,700	9,334,612	0	16,676,144
<b>Fund Balance, June 30, 2018</b>	\$ 9,589,543 \$	1,253,816 \$	2,437,343 \$	6,885,123 \$	0 \$	16,719,451

(Continued)

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

	Nonmajor Funds	Other Govern- mental Funds	Total Governmen- tal Funds
<b>Revenues</b>			
Local Taxes	\$ 2,047,907	\$	38,867,424
Licenses and Permits	0		476,468
Fines, Forfeitures, and Penalties	96,616		674,865
Charges for Current Services	1,950,734		7,863,204
Other Local Revenues	1,208,356		2,713,440
Fees Received From County Officials	0		2,646,665
State of Tennessee	125,988		9,319,801
Federal Government	0		831,849
Other Governments and Citizens Groups	10,000		3,149,804
Total Revenues	\$ 5,439,601	\$	66,543,520
<b>Expenditures</b>			
Current:			
General Government	\$ 369,514	\$	2,701,107
Finance	1,505,926		3,178,336
Administration of Justice	239,299		4,003,791
Public Safety	446,352		24,083,001
Public Health and Welfare	174,852		8,521,716
Social, Cultural, and Recreational Services	893,173		2,225,586
Agriculture and Natural Resources	0		517,684
Other Operations	3,695,881		5,187,419
Highways	0		6,336,280
Debt Service:			
Principal on Debt	0		5,378,011
Interest on Debt	43,500		2,795,113
Other Debt Service	0		350,558

(Continued)

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

	Nonmajor Funds		Total Governmental Funds
	Other	Govern- mental Funds	
<u>Expenditures (Cont.)</u>			
Capital Projects	\$ 6,895,758	\$ 7,299,234	
Capital Projects - Donated	0	12,100,625	
Total Expenditures	\$ 14,264,255	\$ 84,678,461	
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,824,654)	\$ (18,134,941)	
<u>Other Financing Sources (Uses)</u>			
Other Loans Issued	0	12,100,625	
Insurance Recovery	0	31,227	
Transfers In	5,480,034	5,790,746	
Transfers Out	(1,140,469)	(5,790,746)	
Total Other Financing Sources (Uses)	\$ 4,339,565	\$ 12,131,852	
Net Change in Fund Balances	\$ (4,485,089)	\$ (6,003,089)	
Fund Balance, July 1, 2017	6,185,271	44,588,547	
Fund Balance, June 30, 2018	\$ 1,700,182	\$ 38,585,458	

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

# Exhibit C-4

Bradley 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, 2018

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)		\$ (6,003,089)
(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	\$ 9,973,062	
Less: current-year depreciation expense	<u>(3,231,998)</u>	6,741,064
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(125,445)
(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, 2018	\$ 2,024,784	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(3,023,200)</u>	(998,416)
(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:		
Less: other loan proceeds	\$ (12,100,625)	
Add: principal payments on bonds	925,000	
Add: principal payments on other loans	3,860,000	
Add: principal payments on capital leases	632,603	
Add: changes in premiums on debt	112,169	
Less: contributions from the School Department for debt	<u>(593,011)</u>	(7,163,864)
(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	\$ 191,365	
Change in compensated absences payable	(129,764)	
Change in net pension liability - agent legacy plan	1,160,057	
Change in net pension asset - agent hybrid plan	22,464	
Change in deferred outflows related to pensions	(257,501)	
Change in deferred inflows related to pensions	326,466	
Change in OPEB liability (net of restatement)	<u>(299,541)</u>	1,013,546
Change in net position of governmental activities (Exhibit B)		<u>\$ (6,536,204)</u>

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

Bradley County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 20,836,812	\$ 0	\$ 0	\$ 20,836,812	\$ 19,931,467	\$ 20,615,271	\$ 221,541
Licenses and Permits	478,468	0	0	478,468	420,500	463,561	22,917
Fines, Forfeitures, and Penalties	578,249	0	0	578,249	611,457	608,723	(31,474)
Charges for Current Services	5,912,470	0	0	5,912,470	6,026,790	5,542,090	370,380
Other Local Revenues	1,224,097	0	0	1,224,097	622,905	1,251,381	(27,284)
Fees Received From County Officials	2,646,665	0	0	2,646,665	2,670,200	2,516,522	130,143
State of Tennessee	5,273,899	0	0	5,273,899	4,330,827	5,070,040	203,859
Federal Government	514,180	0	0	514,180	165,114	228,101	286,079
Other Governments and Citizens Groups	1,954,725	0	0	1,954,725	1,783,340	1,889,271	65,454
<b>Total Revenues</b>	<b>\$ 39,417,565</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 39,417,565</b>	<b>\$ 36,562,600</b>	<b>\$ 38,175,950</b>	<b>\$ 1,241,615</b>
<b>Expenditures</b>							
<b>General Government</b>							
County Commission	\$ 435,042	\$ (9,413)	\$ 4,593	\$ 430,222	\$ 528,492	\$ 440,420	\$ 10,198
Board of Equalization	1,055	0	0	1,055	4,851	4,851	3,796
Beer Board	3,313	0	0	3,313	3,360	3,360	47
Other Boards and Committees	44,131	(500)	2,598	46,229	37,135	47,135	906
County Mayor/Executive	295,355	(1,203)	202	294,354	296,668	296,668	2,314
Personnel Office	169,216	(62,276)	16,101	123,041	165,036	169,690	46,649
County Attorney	210,961	(4,988)	3,715	209,688	210,531	215,021	5,333
Election Commission	254,312	0	562	254,874	262,574	262,574	7,700
Register of Deeds	73,480	(3,320)	7,928	78,068	69,029	126,855	48,767
Planning	226,079	(10,879)	9,592	224,792	233,505	233,505	8,713
Geographical Information Systems	217,520	(50,605)	27,582	194,497	220,336	220,336	25,939
County Buildings	389,104	(15,949)	29,836	402,991	443,083	443,083	40,092
Other Facilities	12,025	0	0	12,025	6,000	12,025	0
<b>Finance</b>							
Accounting and Budgeting	217,249	(25,175)	11,244	203,318	207,665	207,665	4,347
Property Assessor's Office	823,965	(7,375)	4,742	821,332	866,634	866,634	46,302
Reappraisal Program	130,118	(29,912)	75,721	175,927	175,500	175,927	0

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Expenditures (Cont.)</b>							
<b>Finance (Cont.)</b>							
County Trustee's Office	\$ 92,784	\$ (26)	244	\$ 93,002	\$ 87,959	\$ 95,285	\$ 2,283
County Clerk's Office	263,226	(4,185)	5,728	264,769	217,832	266,438	1,669
Data Processing	145,068	(14,773)	12,556	142,851	144,000	144,000	1,149
Administration of Justice							
Circuit Court	84,996	0	0	84,996	0	84,996	0
Circuit Court Clerk	1,372,721	(9)	4,029	1,376,741	1,469,461	1,467,369	90,628
General Sessions Judge	557,824	0	0	557,824	571,208	571,208	13,384
Drug Court	148,349	(1,275)	0	147,074	70,000	148,767	1,693
Chancery Court	47,675	(2,774)	5,014	49,915	55,249	55,249	5,334
Juvenile Court	652,744	(8,875)	8,057	651,926	641,763	685,913	33,987
Office of Public Defender	36,654	(2,760)	3,830	37,724	38,261	38,261	537
Judicial Commissioners	24,095	0	0	24,095	35,000	35,000	10,905
Other Administration of Justice	121,672	(1,956)	2,946	122,662	125,026	125,628	2,964
Probation Services	360,730	(6,339)	3,757	358,148	419,481	485,922	127,774
Courtroom Security	27,806	(5,879)	0	21,927	0	26,312	4,385
Victim Assistance Programs	329,226	(14,243)	145	315,128	252,869	315,869	741
<b>Public Safety</b>							
Sheriff's Department	8,255,265	(76,705)	106,774	8,285,334	8,119,252	8,425,508	140,172
Special Patrols	53,619	0	0	53,619	0	62,987	9,368
Traffic Control	46,803	(16,882)	4,472	34,393	35,700	35,700	1,307
Administration of the Sexual Offender Registry	3,328	(48)	0	3,280	0	4,700	1,420
Jail	7,275,189	(30,644)	88,952	7,333,497	7,240,338	7,469,756	136,259
Workhouse	560,189	(5,180)	7,675	562,684	751,855	751,855	199,171
Correctional Incentive Program Improvements	1,242,673	(15,175)	4,144	1,231,642	1,261,363	1,313,220	81,578
Juvenile Services	65,658	0	0	65,658	75,580	75,759	10,101
Work Release Program	318,379	(6,182)	9,180	321,377	346,435	346,435	25,058
Civil Defense	495,986	(27,503)	15,323	483,806	467,874	490,371	6,565
Other Emergency Management	46,796	0	0	46,796	46,796	46,796	0
Inspection and Regulation	167,025	0	0	167,025	129,655	336,721	169,696

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Expenditures (Cont.)</b>							
<b>Public Safety (Cont.)</b>							
County Coroner/Medical Examiner	\$ 171,559	\$ (28,099)	\$ 48,860	\$ 192,320	\$ 194,783	\$ 194,783	\$ 2,463
Other Public Safety	638,904	0	0	638,904	650,000	650,000	11,096
<b>Public Health and Welfare</b>							
Local Health Center	409,948	(7,855)	34,971	437,064	411,733	478,022	40,958
Rabies and Animal Control	135,000	0	0	135,000	135,000	135,000	0
Ambulance/Emergency Medical Services	6,084,695	(109,881)	15,340	5,990,154	5,589,848	6,048,110	57,956
Alcohol and Drug Programs	53,924	0	0	53,924	50,000	55,000	1,076
Other Local Health Services	1,343,384	(2,745)	3,623	1,344,262	1,273,701	1,465,846	121,584
Other Local Welfare Services	94,121	0	0	94,121	94,121	94,121	0
Other Waste Disposal	48,916	(48)	0	48,868	0	65,100	16,232
Other Public Health and Welfare	7,904	0	0	7,904	12,500	20,267	12,363
<b>Social, Cultural, and Recreational Services</b>							
Adult Activities	9,000	0	0	9,000	9,000	9,000	0
Senior Citizens Assistance	94,326	0	0	94,326	98,127	98,127	3,801
Parks and Fair Boards	12,122	0	0	12,122	41,478	41,478	29,356
Other Social, Cultural, and Recreational	1,216,965	(104,523)	60,513	1,172,955	1,016,909	1,227,510	64,555
<b>Agriculture and Natural Resources</b>							
Agricultural Extension Service	319,157	(9,478)	5,600	315,279	334,361	334,361	19,082
Soil Conservation	50,519	0	0	50,519	51,499	51,499	980
Storm Water Management	148,008	(32,148)	23,207	139,067	158,769	158,769	19,702
<b>Other Operations</b>							
Tourism	270,148	0	0	270,148	270,000	296,867	26,719
Industrial Development	270,148	0	0	270,148	270,000	296,867	26,719
Other Economic and Community Development	10,000	0	0	10,000	10,000	10,000	0
Public Transportation	42,000	0	0	42,000	42,000	42,000	0
Veterans' Services	125,544	(307)	3,930	129,167	138,705	138,705	9,538
Other Charges	405,938	0	0	405,938	428,400	428,400	22,462
Contributions to Other Agencies	83,608	0	0	83,608	84,692	84,692	1,084
Miscellaneous	28,435	(38)	487	28,884	75,000	75,000	46,116
<b>Total Expenditures</b>	<b>\$ 38,363,678</b>	<b>\$ (758,130)</b>	<b>\$ 673,773</b>	<b>\$ 38,279,321</b>	<b>\$ 37,772,982</b>	<b>\$ 40,131,294</b>	<b>\$ 1,851,973</b>

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,053,887	\$ 758,130	\$ (673,773)	\$ 1,138,244	\$ (1,210,382)	\$ (1,955,344)	\$ 3,093,588
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 15,000	\$ 0	\$ 0	\$ 15,000	\$ 0	\$ 301,939	\$ (286,939)
Transfers In	100,000	0	0	100,000	0	309,601	(209,601)
Special Items (Revenues)	0	0	0	0	193,000	0	0
Extraordinary Items (Revenues)	0	0	0	0	161,000	0	0
Transfers Out	(841,766)	0	0	(841,766)	0	(841,766)	0
Total Other Financing Sources	\$ (726,766)	\$ 0	\$ 0	\$ (726,766)	\$ 354,000	\$ (230,226)	\$ (495,540)
Net Change in Fund Balance	\$ 327,121	\$ 758,130	\$ (673,773)	\$ 411,478	\$ (856,382)	\$ (2,185,570)	\$ 2,597,048
Fund Balance, July 1, 2017	9,262,422	(758,130)	0	8,504,292	11,566,751	11,566,751	(3,062,459)
Fund Balance, June 30, 2018	\$ 9,589,543	\$ 0	\$ (673,773)	\$ 8,915,770	\$ 10,710,369	\$ 9,381,181	\$ (465,411)

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

Exhibit C-6

Bradley County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Special Purpose Fire Tax Fund  
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 5,234,428	\$ 0	\$ 0	\$ 5,234,428	\$ 5,169,906	\$ 5,337,584	\$ (103,156)
Charges for Current Services	0	0	0	0	0	10	(10)
Other Local Revenues	5,657	0	0	5,657	25,000	9,223	(3,566)
State of Tennessee	34,800	0	0	34,800	0	34,900	(100)
Federal Government	11,991	0	0	11,991	0	46,791	(34,800)
Other Governments and Citizens Groups	25,000	0	0	25,000	0	25,000	0
<b>Total Revenues</b>	<b>\$ 5,311,876</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,311,876</b>	<b>\$ 5,194,906</b>	<b>\$ 5,453,508</b>	<b>\$ (141,632)</b>
<b>Expenditures</b>							
Public Safety							
Fire Prevention and Control	\$ 4,305,276	\$ (34,395)	\$ 113,174	\$ 4,384,055	\$ 4,546,490	\$ 4,662,183	\$ 278,128
Other Operations	97,757	0	0	97,757	100,000	107,000	9,243
Other Charges	2,940	0	0	2,940	0	2,940	0
Miscellaneous							
<b>Total Expenditures</b>	<b>\$ 4,405,973</b>	<b>\$ (34,395)</b>	<b>\$ 113,174</b>	<b>\$ 4,484,752</b>	<b>\$ 4,646,490</b>	<b>\$ 4,772,123</b>	<b>\$ 287,371</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 905,903</b>	<b>\$ 34,395</b>	<b>\$ (113,174)</b>	<b>\$ 827,124</b>	<b>\$ 548,416</b>	<b>\$ 681,385</b>	<b>\$ 145,739</b>
<b>Other Financing Sources (Uses)</b>							
Insurance Recovery	\$ 16,227	\$ 0	\$ 0	\$ 16,227	\$ 0	\$ 42,224	\$ (25,997)
Extraordinary Items (Revenues)	0	0	0	0	0	100	(100)
Transfers Out	(210,712)	0	0	(210,712)	(210,713)	(210,713)	1
<b>Total Other Financing Sources</b>	<b>\$ (194,485)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (194,485)</b>	<b>\$ (210,713)</b>	<b>\$ (168,389)</b>	<b>\$ (26,096)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 711,418</b>	<b>\$ 34,395</b>	<b>\$ (113,174)</b>	<b>\$ 632,639</b>	<b>\$ 337,703</b>	<b>\$ 512,996</b>	<b>\$ 119,643</b>
<b>Fund Balance, July 1, 2017</b>	<b>\$ 542,398</b>	<b>\$ (34,395)</b>	<b>\$ 0</b>	<b>\$ 508,003</b>	<b>\$ 441,197</b>	<b>\$ 441,197</b>	<b>\$ 66,806</b>
<b>Fund Balance, June 30, 2018</b>	<b>\$ 1,253,816</b>	<b>\$ 0</b>	<b>\$ (113,174)</b>	<b>\$ 1,140,642</b>	<b>\$ 778,900</b>	<b>\$ 954,193</b>	<b>\$ 186,449</b>

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

Exhibit C-7

Bradley County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 2,928,539	\$ 0	\$ 0	\$ 2,928,539	\$ 2,725,219	\$ 2,915,615	\$ 12,924
Other Local Revenues	60,111	0	0	60,111	16,100	55,271	4,840
State of Tennessee	3,600,749	0	0	3,600,749	3,493,171	4,364,140	(763,391)
<b>Total Revenues</b>	<b>\$ 6,589,399</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,589,399</b>	<b>\$ 6,234,490</b>	<b>\$ 7,335,026</b>	<b>\$ (745,627)</b>
<b>Expenditures</b>							
<b>Highways</b>							
Administration	\$ 643,360	\$ 0	\$ 0	\$ 643,360	\$ 685,554	\$ 661,750	\$ 18,390
Highway and Bridge Maintenance	2,488,409	0	0	2,488,409	2,661,574	2,740,842	252,233
Operation and Maintenance of Equipment	503,252	0	0	503,252	550,281	558,531	55,279
Quarry Operations	0	0	0	0	100	0	0
Other Charges	156,977	0	0	156,977	156,189	167,989	11,012
Employee Benefits	907,608	0	0	907,608	968,549	936,649	29,041
Capital Outlay	1,636,674	(318,006)	658,126	1,976,794	1,512,711	2,310,318	333,524
<b>Capital Projects</b>							
Highway and Street Capital Projects	403,476	0	0	403,476	451,062	428,762	25,286
<b>Total Expenditures</b>	<b>\$ 6,739,756</b>	<b>\$ (318,006)</b>	<b>\$ 658,126</b>	<b>\$ 7,079,876</b>	<b>\$ 6,986,020</b>	<b>\$ 7,804,841</b>	<b>\$ 724,765</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (150,357)</b>	<b>\$ 318,006</b>	<b>\$ (658,126)</b>	<b>\$ (490,477)</b>	<b>\$ (751,530)</b>	<b>\$ (469,615)</b>	<b>\$ (20,862)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (150,357)</b>	<b>\$ 318,006</b>	<b>\$ (658,126)</b>	<b>\$ (490,477)</b>	<b>\$ (751,530)</b>	<b>\$ (469,615)</b>	<b>\$ (20,862)</b>
<b>Fund Balance, July 1, 2017</b>	<b>2,587,700</b>	<b>(318,006)</b>	<b>0</b>	<b>2,269,694</b>	<b>1,965,870</b>	<b>1,965,870</b>	<b>303,824</b>
<b>Fund Balance, June 30, 2018</b>	<b>\$ 2,437,343</b>	<b>\$ 0</b>	<b>\$ (658,126)</b>	<b>\$ 1,779,217</b>	<b>\$ 1,214,340</b>	<b>\$ 1,496,255</b>	<b>\$ 282,962</b>

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

Exhibit D

Bradley County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 7,685,725
Equity in Pooled Cash and Investments	26,768
Accounts Receivable	8,716
Due from Other Governments	3,453,112
Property Taxes Receivable	6,975,111
Allowance for Uncollectible Taxes	<u>(209,096)</u>
Total Assets	<u>\$ 17,940,336</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 10,226,435
Due to Litigants, Heirs, and Others	<u>7,713,901</u>
Total Liabilities	<u>\$ 17,940,336</u>

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

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## BRADLEY COUNTY, TENNESSEE

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**BRADLEY COUNTY, TENNESSEE**  
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**BRADLEY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bradley 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 Bradley County:

**A. Reporting Entity**

Bradley County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Bradley County (the primary government) and its component units. 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 Bradley County School Department operates the public school system in the county, and the voters of Bradley 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 Bradley Healthcare and Rehabilitation Center provides resident healthcare to the citizens of Bradley County, and the County Commission appoints its governing body. The County Commission must approve all long-term debt of the Bradley Healthcare and Rehabilitation Center. Bradley County is responsible for this debt in case of default by the Bradley Healthcare and Rehabilitation Center.

The Bradley County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Bradley County School Department are included in this report as listed in the table of contents. Complete financial statements of the Bradley Healthcare and Rehabilitation Center can be obtained from its administrative office at the following address:

Administrative Office:

Bradley Healthcare and Rehabilitation Center  
2910 Peerless Road Northwest  
Cleveland, TN 37312

**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 Bradley 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 Bradley 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.

Bradley County issues all debt for the discretely presented Bradley County School Department. Net debt issues totaling \$12,100,625 were contributed by the county to the School Department during the year ended June 30, 2018.

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 Bradley County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Bradley County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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. Bradley 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.

Bradley 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.

**Special Purpose Fire Tax Fund** – This special revenue fund is used to account for transactions of the county's Fire Department. A property tax rate is assessed on citizens living in Bradley County but outside of the cities of Cleveland and Charleston. Proceeds of the tax must be expended on fire protection for those citizens.

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

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

**Education Capital Projects Fund** – This fund is used to account for debt issued by Bradley County that is subsequently contributed to the discretely presented Bradley County School Department and the City of Cleveland School System for construction and renovation projects.

**Endowment Fund** – This fund accounts for proceeds from the sale of the Bradley County Memorial Hospital. The county received \$15,000,000 from the sale of the hospital and invested these proceeds. The county can spend 85 percent of investment income for the health, wellness, and quality of life for its citizens. The other 15 percent of investment income, as well as the original principal (\$15,000,000), cannot be spent.

Additionally, Bradley County reports the following fund type:

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Bradley

County, the fire tax district, and the city school system's share of educational revenues. 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 Bradley County School Department reports the following major governmental funds:

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

**Education Capital Projects Fund** – This fund is used to account for funds contributed from Bradley County for construction and renovation projects in county schools.

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

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

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

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

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; 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 Bradley 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 was assigned 50 percent to the General Fund and 50 percent to the Other Capital Projects Fund. In addition, investments are held separately by the Endowment Fund. Bradley 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. 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. All other investments are reported at fair value.

## **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

All ambulance service 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 1.79 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court

for collection are not included in taxes receivable since they are neither measurable nor available.

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

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

### 3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000; for buildings and infrastructure with an initial cost of \$50,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25 - 40
Other Capital Assets	5 - 30
Infrastructure:	
Roads	20 - 40
Bridges	40

**4. 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, pension changes in assumptions, pension changes in investment earnings, pension changes in proportionate share of contributions, employer contributions made to the pension and OPEB plans after the measurement date, and the accumulated decrease in fair value of hedging derivatives as discussed in Note IV.C.

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, pension changes in investments, pension changes in proportionate share of contributions, OPEB changes in assumptions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**5. Compensated Absences**

It is the policy of the general government and Highway Department to permit employees to accumulate up to 30 days of earned but unused vacation leave that will be paid upon retirement, resignation, or termination. Any accumulated unused vacation leave exceeding 30 days is transferred to the employee's sick leave balance. All vacation leave is accrued when incurred in the government-wide statements for the general government and Highway Department. A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

It is the policy of the discretely presented Bradley County School Department to permit its 12-month employees to accumulate up to ten days earned but unused vacation leave, and its ten month employees to accumulate up to two days earned but unused leave, which will be paid upon retirement, resignation, or termination. However, the policy of the School Department does not allow for 12-month or ten-month employees to accumulate vacation days beyond June 30. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**6. Long-term Obligations**

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

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

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

**7. 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, 2018, Bradley County had \$68,315,763 in outstanding debt for capital purposes for the discretely presented Bradley County School Department and the City of Cleveland's School System. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Cleveland School System) based on an average daily attendance proration. This debt is a liability of Bradley County, but the capital assets acquired are reported in the financial statements of the county School Department and the City of Cleveland School System. Therefore, Bradley County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

**Restricted Fund Balance** – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or

laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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

**Assigned Fund Balance** – includes amounts that are constrained by the county's intent to be used for specific purposes but are neither restricted nor committed (excluding stabilization arrangements). The County Commission, the county's highest level of decision-making authority, has by resolution designated the Budget/Finance Committee as the authorized body to make assignments for the county. The Board of Education, the School Department's highest level of decision-making authority, is authorized to make assignments by resolution 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.

## **8. Minimum Fund Balance Policy**

### **Primary Government**

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

**General Fund** – Ten percent of current-year expenditures and transfers to other funds.

**Special Purpose Fire Tax Fund** – Eight percent of current-year expenditures and transfers to other funds.

**Highway/Public Works Fund** – Seven percent of current-year expenditures and transfers to other funds.

Public Library and Agriculture Center funds – Five percent of current-year expenditures and transfers to other funds.

Debt Service Funds – Typically the county will have at least 13 months of future principal and interest payments as fund balance.

**Discretely Presented Bradley County School Department**

General Purpose and Central Cafeteria Funds – Five percent of current-year expenditures and transfers to other funds.

**9. Restatements**

In prior years, the government was required to recognize a liability for its other postemployment benefits plans under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, Bradley County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements increasing the beginning net position of the the Primary Government by \$904,059 and decreasing the beginning net position of the discretely Presented Bradley County School Department by \$2,041,920, have been recognized to account for the transitional requirements.

**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 Bradley County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Bradley 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 Bradley 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**

Bradley County provides OPEB benefits to their retirees through a single commercial insurance plan administered by Cigna Insurance Company. For reporting purposes, the plan is considered a single-employer defined benefit OPEB plan based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). 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 Bradley County. For this purpose, Bradley County recognizes benefit payments when due and payable in accordance with benefit terms. Bradley County's OPEB plan is not administered through a trust.

**Discretely Presented Bradley County School Department**

The discretely presented Bradley County School Department provides OPEB benefits to its retirees through a 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. 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 Bradley 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 Bradley 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 Bradley 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) and the Endowment Fund (permanent fund), which are not budgeted; and the capital projects funds (except for the Community Development/Industrial Development Capital Projects Fund), which adopt project length budgets. All annual appropriations lapse at fiscal year-end.

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, 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, 2018, Bradley County reported the following significant encumbrances:

<u>Fund</u>	<u>Amount</u>
Major Funds:	
General	\$ 673,773
Special Purpose/Fire Tax	113,174
Highway/Public Works	658,126

**B. Cash Shortage – Prior Year**

The Office of County Mayor had a cash shortage of \$15,818.50 as of June 30, 2016, as a result of fraudulent payments made by a former employee in a prior year and discovered by county personnel during the period under examination. The District Attorney General has been made aware of this shortage. As of the date of this report no action has been taken against the former employee.

**C. Fund Deficit**

The Community Development/Industrial Park Fund (capital projects fund) a deficit unassigned fund balance of \$2,223,577 at June 30, 2018. This deficit unassigned fund balance was a result of the recognition of the outstanding balance of an interfund loan of \$2,798,500 at year-end in accordance with Government Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 requires that a payable be reflected at year-end for the outstanding balance of an interfund loan in the financial statements of the borrowing fund. This deficit will be liquidated by making annual payments to the county's Endowment Fund from the collection of Hotel/Motel Tax revenue in the Community Development/Industrial Park Fund. No finding was reflected for this deficit in the Findings and Questioned Costs section of this report because the deficit was a direct result of internal financing (see Note IV. J.). Without the recognition of the outstanding interfund loan balance, the Community Development/Industrial Park Fund would have reflected fund equity of \$574,923.

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and Investments**

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

##### **Deposits**

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

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

##### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make

investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2018, Bradley County had the following investments carried at amortized cost using a Stable Net Asset Value established by generally accepted accounting principles. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Bradley County and the discretely presented Bradley County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturity	Amortized Cost
State Treasurer's Investment Pool	2 to 113	N/A	\$ 2,081

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Bradley County has no investment policy that would further limit its investment choices. As of June 30, 2018, Bradley County's investment in the State Treasurer's Investment Pool was unrated.

## B. Notes Receivable

Notes receivable in the HUD Capital Projects Fund resulted from idle federal funds being used to finance various low/no-interest loans for housing assistance to low-income individuals. The amount of the notes that is not expected to be collected within one year is \$33,131 and is included in the restricted fund balance account.

### C. Derivative Instruments

At June 30, 2018, Bradley County had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$10M Swap Series IV-C-2	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$10,000,000	12-1-06	6-1-20	Pay 4.38% receive 63.5% of LIBOR
\$10M Swap Series IV-G-1	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	10,000,000	12-1-06	6-1-26	Pay 4.45% receive 63.5% of LIBOR

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2018, classified by type, and the changes in fair value using a pay fixed, receive a percentage of LIBOR pricing model (Level 2 inputs of the GAAP fair value hierarchy) of the derivative instruments for the year then ended as reported in the 2018 financial statements are as follows:

Type	Classification	Changes in Fair Value Amount	Fair Value at June 30, 2018 Classification	Amount	6-30-18 Notional Amount
<b>Governmental Activities</b>					
<b>Cash Flow Hedges:</b>					
<b>Pay-fixed interest rate swaps:</b>					
\$10M Swap - Series IV-C-2	Deferred Outflow	\$ 199,764	Debt	\$ (178,878)	\$ 5,065,000
\$10M Swap - Series IV-G-1	Deferred Outflow	456,067	Debt	(1,563,826)	10,000,000
<b>Total</b>		<u>\$ 655,831</u>		<u>\$ (1,742,704)</u>	<u>\$ 15,065,000</u>

### Derivative Swap Agreement Detail

#### \$10M Series IV-C-2 Swap:

The Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement under its Series IV-C-2 Loan Agreement.

**Objective of the interest rate swap.** In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into

an interest rate swap in connection with its \$10 million Series IV-C-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series IV-C-2 bonds have since been refunded with a portion of the proceeds of the Series E-6-A bonds and the interest rate swap is now associated with the Series E-6-A bonds.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 4.38 percent and receives a variable payment computed as 63.5 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$10 million and the associated variable-rate bond has a \$10 million principal amount. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series E-6-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The swap agreement matures on June 1, 2020. As of June 30, 2018, rates were as follows:

	<u>Terms</u>	<u>Rate</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.380 %
Variable payment from counterparty	% of LIBOR	(1.835)
Net interest rate swap payments		<u>2.545 %</u>
Variable-rate bond coupon payments		<u>1.540</u>
Synthetic interest rate on bonds		<u><u>4.085 %</u></u>

**Fair value.** As of June 30, 2018, the swap had a negative fair value of \$178,878. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2018, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap's fair value. As of June 30, 2018, the swap counterparty, Deutsche Bank, was rated A3/BBB+/A- by Moody's, Standard & Poor's and Fitch, respectively.

**Basis risk.** As noted above, the swap exposes the county to basis risk should BMA increase to above 63.5 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 63.5 percent of LIBOR, then the synthetic rate on the bonds would decrease.

**Termination risk.** The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

**Swap payments and associated debt.** As of June 30, 2018, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap		Total
	Principal	Interest	Payment		
2019	\$ 2,455,000	\$ 78,001	\$ 128,893	\$	2,661,894
2020	2,610,000	40,194	66,419		2,716,613
Total	\$ 5,065,000	\$ 118,195	\$ 195,312	\$	5,378,507

#### **\$10M Series IV-G-1 Swap:**

The Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement under its Series IV-G-1 Loan Agreement.

**Objective of the interest rate swap.** In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series IV-G-1 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series IV-G-1 bonds have since been refunded with a portion of the proceeds of the Series E-6-A bonds and the interest rate swap is now associated with the Series E-6-A bonds.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 4.45 percent and receives a variable payment computed as 63.5 percent of the five-year London Interbank Offered Rate (LIBOR). The swap

has a notional amount of \$10 million and the associated variable-rate bond has a \$10 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series E-6-A Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The swap agreement matures on June 1, 2026. As of June 30, 2018, rates were as follows:

	<u>Terms</u>	<u>Rate</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.450 %
Variable payment from counterparty	% of LIBOR	<u>(1.835)</u>
Net interest rate swap payments		2.615 %
Variable-rate bond coupon payments		<u>1.540</u>
Synthetic interest rate on bonds		<u><u>4.155 %</u></u>

**Fair value.** As of June 30, 2018, the swap had a negative fair value of \$1,563,826. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2018, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap's fair value. As of June 30, 2018, the swap counterparty, Deutsche Bank, was rated A3/BBB+/A- by Moody's, Standard & Poor's and Fitch, respectively.

**Basis risk.** As noted above, the swap exposes the county to basis risk should BMA increase to above 63.5 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 63.5 percent of LIBOR, then the synthetic rate on the bonds would decrease.

**Termination risk.** The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination, the swap has a negative fair value, the authority would be liable

to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

**Swap payments and associated debt.** As of June 30, 2018, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap	
	Principal	Interest	Payment	Total
2019	\$ 0	\$ 154,000	\$ 261,479	\$ 415,479
2020	0	154,000	261,479	415,479
2021	0	154,000	261,479	415,479
2022	0	154,000	261,479	415,479
2023	1,870,000	154,000	261,479	2,285,479
2024-2026	8,130,000	282,436	479,550	8,891,986
Total	\$ 10,000,000	\$ 1,052,436	\$ 1,786,945	\$ 12,839,381

**D. Capital Assets**

Capital assets activity for the year ended June 30, 2018, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 5,788,355	\$ 0	\$	\$ 5,788,355
Construction in Progress	4,726,343	6,438,622	(3,691,054)	7,473,911
Total Capital Assets Not Depreciated	\$ 10,514,698	\$ 6,438,622	\$ (3,691,054)	\$ 13,262,266
Capital Assets Depreciated:				
Buildings and Improvements	\$ 33,788,610	\$ 3,180,901	\$ 0	\$ 36,969,511
Infrastructure	40,506,751	2,197,139	(55,532)	42,648,358
Other Capital Assets	17,461,544	1,847,454	(565,756)	18,743,242
Total Capital Assets Depreciated	\$ 91,756,905	\$ 7,225,494	\$ (621,288)	\$ 98,361,111
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 17,342,416	\$ 911,393	\$ 0	\$ 18,253,809
Infrastructure	15,837,236	1,334,977	(20,246)	17,151,967
Other Capital Assets	11,828,306	985,628	(475,597)	12,338,337
Total Accumulated Depreciation	\$ 45,007,958	\$ 3,231,998	\$ (495,843)	\$ 47,744,113
Total Capital Assets Depreciated, Net	\$ 46,748,947	\$ 3,993,496	\$ (125,445)	\$ 50,616,998
Governmental Activities Capital Assets, Net	\$ 57,263,645	\$ 10,432,118	\$ (3,816,499)	\$ 63,879,264

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

**Governmental Activities:**

General Government	\$ 86,163
Finance	3,371
Administration of Justice	2,890
Public Safety	1,212,035
Public Health and Welfare	163,934
Social, Cultural, and Recreational Services	99,310
Agriculture and Natural Resources	959
Highways/Public Works	1,663,336
Total Depreciation Expense - Governmental Activities	<u>\$ 3,231,998</u>

**Discretely Presented Bradley County School Department****Governmental Activities:**

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 1,610,912	\$ 10,000	\$ 0	\$ 1,620,912
Construction in Progress	3,704,764	12,961,525	0	16,666,289
Total Capital Assets Not Depreciated	<u>\$ 5,315,676</u>	<u>\$ 12,971,525</u>	<u>\$ 0</u>	<u>\$ 18,287,201</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 112,575,910	\$ 6,482,749	\$ (5,409,857)	\$ 113,648,802
Other Capital Assets	3,031,274	1,800,777	(105,743)	4,726,308
Total Capital Assets Depreciated	<u>\$ 115,607,184</u>	<u>\$ 8,283,526</u>	<u>\$ (5,515,600)</u>	<u>\$ 118,375,110</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 50,131,226	\$ 5,488,129	\$ (5,248,872)	\$ 50,370,483
Other Capital Assets	1,322,370	359,266	(95,508)	1,586,128
Total Accumulated Depreciation	<u>\$ 51,453,596</u>	<u>\$ 5,847,395</u>	<u>\$ (5,344,380)</u>	<u>\$ 51,956,611</u>
Total Capital Assets Depreciated, Net	<u>\$ 64,153,588</u>	<u>\$ 2,436,131</u>	<u>\$ (171,220)</u>	<u>\$ 66,418,499</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,469,264</u>	<u>\$ 15,407,656</u>	<u>\$ (171,220)</u>	<u>\$ 84,705,700</u>

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

**Governmental Activities:**

Instruction	\$ 5,598,794
Support Services	84,012
Operation of Non-instructional Services	<u>164,589</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,847,395</u>

**E. Construction Commitments**

At June 30, 2018, the Highway Department had uncompleted construction contracts of approximately \$658,126 for road construction. Funding has been received for these future expenditures.

**F. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2018, was as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
<b>Primary Government:</b>		
Endowment	General	\$ 2,294,601
"	General Debt Service	3,597,799
"	Nonmajor governmental	2,798,500
General Debt Service	Special Purpose Fire Tax	210,713
General	General Debt Service	4,750
Nonmajor governmental	"	5,000
Special Purpose Fire Tax	General	10,941
Highway/Public Works	"	1,776

The balances due to the Endowment Fund are the result of internal financing. The payable funds borrowed from the Endowment Fund to fund various projects in Bradley County. The amounts shown are the outstanding balances of these loans at June 30, 2018.

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

The receivable in the General Debt Service Fund totaling \$210,713 was in transit from the Special Purpose Fire Tax at June 30, 2018.

**Due to/from Primary Government and Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:	Component Unit:	
Governmental Activities	School Department:	
Other Capital Projects	Governmental Activities	\$ 15,722,777
	General Purpose School	80,000
Component Unit:		
School Department:	Primary Government:	
General Purpose School	General	6,022

The Due to Primary Government (\$15,722,777) represents the balance of capital leases issued by the county for the School Department. The School Department has agreed to contribute the funds annually to retire these leases. This long-term obligation is reflected in the governmental activities on the Statement of Net Position.

The Due to Primary Government (\$80,000) represents the balance of an interfund loan between the Education Capital Projects Fund and the General Purpose School Fund at year-end. See Note IV.J. for details of the interfund loan.

The Due to Component Unit (\$6,022) represents a refund to the General Purpose School Fund from the General Fund. At June 30, 2018, this amount was in transit from the General Fund.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2018, consisted of the following amounts:

### Primary Government

Transfers Out	Transfers In			Purpose
	General Fund	General Debt Service Fund	Nonmajor Governmental Funds	
General	\$ 0	\$ 0	\$ 841,766	Operations
General Debt Service	0	0	3,597,799	"
Special Purpose Fire Tax	0	210,712	0	Debt Payments
Nonmajor governmental funds	100,000	0	0	Asbestos Project
"	0	0	40,469	Close Fund
"	0	0	1,000,000	Operations

### Discretely Presented Bradley County School Department

Transfer Out	Transfer In		Purpose
	General Purpose School Fund	Education Capital Projects Fund	
Nonmajor governmental fund	\$ 45,000	\$ 0	Indirect Costs
General Purpose School	0	1,201,103	Building project

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.

### G. Capital Leases

On November 3, 2014, Bradley County entered into a five-year lease-purchase agreement for turnout gear for the county's Fire Department. The terms of the agreement require total lease payments of \$195,700 plus interest of 3.37 percent. Title to the turnout gear transferred to the county immediately upon acceptance of each item of equipment. The Special Purpose Fire Tax Fund is making the lease payments. In the government-wide financial statements, the turnout gear was expensed in the year of acquisition because those items did not meet criteria of the county's capitalization policy.

On November 20, 2015, Bradley County entered into a two-year lease-purchase agreement for computer equipment for the School Department. The terms of the agreement require total lease payments of \$193,500 plus interest of 3.089 percent. Title to the computer equipment transferred to the School Department immediately upon acceptance of each item of computer

equipment. The General Purpose School Fund is contributing the lease payments to the primary government. In the government-wide financial statements, the upgrades and equipment were expensed in the year of acquisition because those items did not meet criteria of the county's capitalization policy. This lease was retired during the year.

On August 19, 2016, Bradley County entered into a twenty-year lease-purchase agreement for energy saving equipment and upgrades for the School Department. The terms of the agreement require total lease payments of \$16,188,500 plus interest of 2.45 percent. Title to the energy saving equipment transferred to the School Department immediately upon acceptance of each item of energy saving equipment. The General Purpose School Fund is contributing the lease payments to the primary government. In the government-wide financial statements, if the various upgrades and equipment meet criteria of the county's capitalization policy then these items are capitalized. Various other upgrades and equipment are expensed in the year of acquisition if those items do not meet criteria of the county's capitalization policy.

On January 6, 2017, Bradley County entered into a two-year lease-purchase agreement for computer equipment for the School Department. The terms of the agreement require total lease payments of \$96,460 plus interest of 4.79 percent. Title to the computer equipment transferred to the School Department immediately upon acceptance of each item of computer equipment. The General Purpose School Fund is contributing the lease payments to the primary government. In the government-wide financial statements, the equipment was expensed in the year of acquisition because those items did not meet criteria of the county's capitalization policy.

The assets acquired through capital leases are as follows:

**Discretely Presented Bradley County School Department**

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 7,232,182
Less: Accumulated Depreciation	<u>(460,119)</u>
Total Book Value	<u>\$ 6,772,063</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30	Governmental Funds
2019	\$ 1,135,966
2020	1,059,921
2021	1,059,921
2022	1,059,921
2023	1,059,921
2024-2028	5,299,604
2029-2033	5,299,604
2034-2037	3,709,725
Total Minimum Lease Payments	\$ 19,684,583
Less: Amount Representing Interest	(3,920,845)
Present Value of Minimum Lease Payments	\$ 15,763,738

#### H. Long-term Obligations

##### Primary Government

##### General Obligation Bonds and Other Loans

Bradley County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds and other loans have been issued to refund other general obligation bonds and other loans.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. The general obligation bonds and other loans outstanding were issued for original terms of up to 20 years for bonds and up to 18 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 bonds and other loans included in long-term debt as of June 30, 2018, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and capital leases outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
General Obligation Bonds	2 to 5.55 %	6-1-29	\$ 20,420,000	\$ 19,620,000
Other Loans - Variable Rate	Variable	6-1-34	60,310,625	38,890,625
Other Loans	3 to 4.25	6-30-21	12,050,000	4,835,000
Capital Leases	2.45 to 4.79	8-15-36	16,674,160	15,763,738

In a prior year, Bradley County, on behalf of the School Department and the City of Cleveland, issued \$17,550,000 of general obligation bonds from the Build America Bonds program. This program allows state and local governments to issue taxable bonds for capital projects and to receive a new direct federal subsidy payment from the U.S. Treasury Department for a portion of their borrowing costs. The American Recovery and Reinvestment Act of 2009 created the new Build America Bond program, which authorized state and local governments to issue Build America Bonds as taxable bonds in 2009 and 2012 to finance any capital expenditures for which they otherwise could issue tax-exempt government bonds. State and local governments receive a direct federal subsidy payment for a portion of their borrowing costs on Build America Bonds equal to 35 percent of the total coupon interest paid to investors.

In prior years, Bradley County entered into various loan agreements with the Sevier County Public Building Authority (PBA) to finance various capital projects for the county and the discretely presented Bradley County School Department. Under the loan agreements, the PBA issued revenue bonds and made the proceeds available for loan to Bradley County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.). The following table summarizes loan agreements outstanding at June 30, 2018:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-18	Interest Type	Interest Rates as of 6-30-18	Fee Rates as of 6-30-18
<b>Refunding:</b>					
Series V-I-1	\$ 12,050,000	\$ 4,835,000	Fixed	3 to 4.25 %	.65%
Series E-6-A:	28,210,000	11,725,000	Variable	1.51	.976
Series IV-C-2	10,000,000	5,065,000	Synthetic Fixed by Swap	1.51	.976
Series IV-G-1	10,000,000	10,000,000	Synthetic Fixed by Swap	1.51	.976
<b>PIB:</b>					
Series VII-P-1	15,600,000	<u>12,100,625</u>	Variable	1.85	.250
<b>Total</b>		<u><b>\$ 43,725,625</b></u>			

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2018, including interest payments, other loan fees, and direct federal subsidy are presented in the following tables:

Year Ending June 30	Bonds			
	Principal	Interest	Treasury Department Direct	Total
			Subsidy	
2019	\$ 170,000	\$ 977,493	\$ (327,278)	\$ 820,215
2020	175,000	974,093	(327,278)	821,815
2021	175,000	970,593	(327,278)	818,315
2022	2,030,000	967,093	(327,278)	2,669,815
2023	2,135,000	870,993	(294,903)	2,711,090
2024-2028	11,425,000	2,880,507	(978,490)	13,327,017
2029	3,510,000	187,613	(64,102)	3,633,511
Total	\$ 19,620,000	\$ 7,828,385	\$ (2,646,607)	\$ 24,801,778

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2019	\$ 5,525,000	\$ 860,601	\$ 331,898	\$ 6,717,499
2020	5,780,000	755,578	290,966	6,826,544
2021	6,050,000	643,839	247,935	6,941,774
2022	3,100,000	497,549	192,214	3,789,763
2023	3,245,000	448,427	166,895	3,860,322
2024-2028	15,045,000	1,386,001	384,337	16,815,338
2029-2033	4,430,000	625,300	84,500	5,139,800
2034	550,625	74,925	10,125	635,675
Total	\$ 43,725,625	\$ 5,292,220	\$ 1,708,870	\$ 50,726,715

There is \$6,885,123 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$198, based on the 2010 federal census. Total debt per capita, including bonds, other loans, and capital leases, totaled \$799, 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.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-18</u>
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Capital Lease

Contributions from the General Purpose School Fund

Computer Equipment	\$ 32,130
Energy Upgrades	15,690,647

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Other Loans</u>	<u>Capital Leases</u>
Balance, July 1, 2017	\$ 20,545,000	\$ 35,485,000	\$ 16,396,341
Additions	0	12,100,625	0
Reductions	(925,000)	(3,860,000)	(632,603)
Balance, June 30, 2018	<u>\$ 19,620,000</u>	<u>\$ 43,725,625</u>	<u>\$ 15,763,738</u>
Balance Due Within One Year	<u>\$ 170,000</u>	<u>\$ 5,525,000</u>	<u>\$ 752,728</u>

	<u>Net Pension Liability - Agent Plan</u>	<u>Compensated Absences</u>	<u>Other Postemployment Benefits *</u>
Balance, July 1, 2017	\$ 1,296,966	\$ 1,563,282	\$ 4,221,453
Additions	1,953,338	1,494,449	431,771
Reductions	(3,113,395)	(1,364,685)	(132,230)
Balance, June 30, 2018	<u>\$ 136,909</u>	<u>\$ 1,693,046</u>	<u>\$ 4,520,994</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 84,652</u>	<u>\$ 0</u>

\* Restated beginning balance – See Note I.D.9.

**Analysis of Noncurrent Liabilities Presented on Exhibit A:**

Total Noncurrent Liabilities, June 30, 2018	\$ 85,460,312
Less: Balances Due Within One Year	<u>(6,532,380)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 78,927,932</u>
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Compensated absences, net pension liabilities, and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

**Discretely Presented Bradley County School Department**

**Changes in Long-term Obligations**

Long-term obligations activity for the discretely presented Bradley County School Department for the year ended June 30, 2018, was as follows:

**Governmental Activities:**

	Other Post- employment Benefits *	Net Pension Liability - Agent Plan	Net Pension Liability - Cost-sharing Plan #
Balance, July 1, 2017	\$ 13,060,060	\$ 383,912	\$ 6,363,389
Additions	1,234,176	545,861	125,270
Reductions	<u>(1,095,560)</u>	<u>(891,226)</u>	<u>(6,818,921)</u>
Balance, June 30, 2018	<u>\$ 13,198,676</u>	<u>\$ 38,547</u>	<u>\$ (330,262)</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* Restated beginning balance – See Note I.D.9.

# The Teacher Legacy plan had a net pension asset at June 30, 2018

**Analysis of Noncurrent Liabilities Presented on Exhibit A:**

Total Noncurrent Liabilities, June 30, 2018	\$ 13,237,223
Less: Balances Due Within One Year	<u>0</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 13,237,223</u>
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Other postemployment benefits and net pension liabilities will be paid from

the employing funds, primarily the General Purpose School and School Federal Projects funds.

**I. On-Behalf Payments**

**Discretely Presented Bradley County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Bradley 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, 2018, were \$266,040 and \$87,800, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**J. Internal Financing**

In a prior year, a local bank committed to donate \$200,000 to the discretely presented Bradley County School Department to be used at two of the county's high schools, Bradley Central and Walker Valley. The bank plans to fulfill this commitment by donating \$40,000 per year (\$20,000 per school) for five years to the School Department. The School Department received \$40,000 from the bank during the year. On December 7, 2015, based on the commitment from the bank, the county commission voted to loan the balance of the committed funds (\$160,000) to the School Department for immediate use. This loan was made from the Other Capital Projects Fund to the General Purpose School Fund at zero interest and is to be repaid at \$40,000 annually with funds received from the bank. The amount financed is reflected as Due from Component Unit in the Other Capital Projects Fund and as Due to Primary Government in the General Purpose School Fund in the financial statements of this report.

In-lieu-of issuing debt with financial institutions, Bradley County has chosen to internally finance several capital projects with idle county funds in the county's Endowment Fund, commonly referred to as the Health, Wellness, and Quality of Life Fund. These debt issues were transferred from the Endowment Fund to the Other Capital Projects – Workhouse Fund (\$2,200,000 for workhouse construction to be repaid from the General Fund), to the Community Development/Industrial Park Fund (\$3,000,000 for the Spring Branch Industrial Park), to the Energy Upgrade Projects Fund (\$3,597,799 for courthouse energy efficiency projects to be repaid from the General Debt Service Fund), and to the General Fund (\$209,601 for softball lighting).

Governmental Accounting Standards Board Statement No. 34 requires such interfund borrowing to be reflected as a receivable in the lending fund and as a payable in the borrowing fund; therefore, in each fund that is repaying interfund loans, the outstanding amount of loan principal is reflected as Due to Other Funds, and the same amount is reflected as Due from Other Funds in the Endowment Fund. Payments on these interfund loans in subsequent periods will be budgeted annually as if they were being made to an external lender; however, the principal will not be reflected as expenditures in the borrowing funds but will be reflected as a reduction in the Due to Other Funds account until the debt is repaid.

Internal loans receivable at June 30, 2018, are reflected as follows:

Receivable Fund/Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Other Capital Projects Fund:				
School Projects	\$ 160,000	0 %	5-25-16	10-31-20
Endowment Fund:				
Workhouse	2,200,000	1.375	11-21-16	11-21-36
Industrial Park	3,000,000	1.45	7-18-17	7-1-32
Energy Upgrades	3,597,799	1.53	12-12-17	7-1-38
Softball Lighting	209,601	1.53	12-12-17	7-1-38
	Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
Other Capital Projects Fund:				
School Projects	\$ 120,000	\$ 0	\$(40,000)	\$ 80,000
Endowment Fund:				
Workhouse	2,200,000	0	(115,000)	2,085,000
Industrial Park	0	3,000,000	(201,500)	2,798,500
Energy Upgrades	0	3,597,799	0	3,597,799
Softball Lighting	0	209,601	0	209,601
Total	\$ 2,320,000	\$ 6,807,400	\$(356,500)	\$ 8,770,900

#### K. Short-term Debt

##### Primary Government

Bradley County issued tax anticipation notes of \$700,000 from the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the Special Revenue Fire Tax Fund. These notes were necessary

because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2018, was as follows:

	Balance 7-1-17	Issued	Paid	Balance 6-30-18
Tax Anticipation Notes	\$ 0	\$ 700,000	\$ (700,000)	\$ 0

## V. OTHER INFORMATION

### A. Risk Management

#### Primary Government

Bradley County's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by participation in a public entity risk pool. The county is a member of 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.

Bradley County participates in a commercial health insurance plan for its employees. Bradley County's plan was administered by Blue Cross/Blue Shield. Settled claims have not exceeded this commercial coverage over the past three fiscal years.

#### Discretely Presented Bradley County School Department

The School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by participation in a public entity risk pool. The School Department is a member of 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 annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee Code Annotated (TCA)*, all local

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

**B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**C. Contingent Liabilities**

The county is involved in several pending lawsuits. Attorneys for the county estimate that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**D. Financial Guarantees**

In October 2007, Bradley and McMinn counties guaranteed the 35-year, \$12 million public improvement bonds issuance of a joint venture, the Hiwassee Utilities Commission. The bonds mature annually through June 1, 2042, with semiannual interest payments. In the event that the Hiwassee Utilities Commission is unable to make a payment, Bradley County will be required to make one-half of that payment. See Note V.G.

**E. Change in Administration**

On March 31, 2018, Sarah Coleman left the Office of Clerk and Master and was succeeded by Holly Thompson, effective April 23, 2018.

**F. Landfill Closure/Postclosure Care Costs**

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

State and federal laws and regulations require 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. Closure costs generally are paid near the date that the landfill stops accepting waste and postclosure care costs are paid during the 30-year period following closure. Bradley County has contracted with Santek Environmental, Inc., of Bradley County, a private company, to operate the county's landfill. This contract was amended on December 1, 1999, and again on September 23, 2005, and requires Santek to be responsible for all closure and postclosure care costs of the county's landfill during the term of the contract. The term of the 2005 amendment to the contract is the estimated life of the landfill – approximately 28 years based on current usage – and the life of additional cells that might be opened in the future. The \$2,865,919 estimated closure and postclosure costs of the landfill at June 30, 2018, were not included in the county's long-term debt due to the uncertainty of what amount, if any, will be paid by the county. This amount is based on estimates of what it would cost to perform all closure and postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**G. Joint Ventures**

The Bradley County Emergency Communications District (also known as the Cleveland/Bradley Communications Center) is a joint venture in which the county and the cities of Cleveland and Charleston participate. The district provides a simplified means of securing emergency services through a uniform emergency number for the residents of Bradley County. The governing body of the district includes three members appointed by the county mayor, subject to confirmation by the Bradley County Commission, the Cleveland City Council, and eight ex-officio members, who are employees of the cities of Cleveland and Charleston involved in emergency response management. Before the issuance of most debt instruments, the district must obtain the approval of the Bradley County Commission and the Cleveland City Council. The center is funded through a service charge levied on telephone services and appropriations from the cities and county. During the year ended June 30, 2018, the county appropriated an operating subsidy of \$638,904 to the district.

The Hiwassee Utilities Commission is a joint venture that is operated by Bradley and McMinn counties. The commission is governed by a six-member board that is appointed by the participating governments. Bradley County and McMinn County are contingently liable for certain revenue bonds of the Hiwassee Utilities Commission. On October 18, 2007, the Hiwassee Utilities Commission issued \$12,000,000 in public improvement bonds. The principal of these bonds is reflected on the financial statements of the Hiwassee Utilities Commission. Bradley County would become liable for one-half of these bonds and the interest thereon in the event of default by the Hiwassee Utilities Commission. Calculations using the Hiwassee Utilities Commission's audit report for fiscal year ending June 30, 2017, reflect that as of June 30, 2018, future principal and interest requirements, which Bradley County would be liable for, were \$5,352,500 and \$2,373,162, respectively. Bradley County made no contributions to the Hiwassee Utilities Commission for the year ended June 30, 2018.

The Tenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Tenth Judicial District and the municipalities within the district. The district is composed of Bradley, McMinn, Monroe, and Polk counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors that includes the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Bradley County made no contributions to the DTF for the year ended June 30, 2018.

Bradley County does not have equity interests in any of the above-noted joint ventures. Complete financial statements for the Bradley County Emergency Communications District, the Hiwassee Utilities Commission, and the Tenth Judicial District Drug Task Force can be obtained from their administrative offices at the following addresses:

**Administrative Offices:**

Bradley County Emergency Communications District  
1555 Guthrie Drive Northwest  
Cleveland, TN 37312

Hiwassee Utilities Commission  
3973 Chatata Valley Road  
Charleston, TN 37310

District Attorney General  
Tenth Judicial District  
130 Washington Avenue Northeast, Suite 1  
Athens, TN 37371

**H. Jointly Governed Organization**

Bradley County, in conjunction with McMinn, Monroe, and Polk counties, participates in the Southeast Tennessee Community Corrections Program. The program's 20-member board comprises the county mayor and the sheriff of each of the four counties, the district attorney general, one member from a nonprofit organization, and ten members from the private sector who are appointed by the board. The program provides alternative sentencing for selected nonviolent offenders and is funded by the Tennessee Department of Correction. The counties that participate in the program do not have any ongoing financial interest or responsibility for the program.

## **I. Retirement Commitments**

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

#### **Primary Government**

#### **Public Employee Retirement Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Employees of Bradley County and non-certified employees of the discretely presented Bradley County School Department with membership in the TCRS before October 1, 2016, are provided a defined benefit pension plan through the Public Employee Legacy Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The Public Employee Legacy Pension Plan is closed to new membership. Employees of Bradley County and non-certified employees of the discretely presented Bradley County School Department with membership in the TCRS after October 1, 2016, are provided with pensions through a legally separate plan, referred to as the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 92.08 percent and the non-certified employees of the discretely presented School Department comprised 7.92 percent of the Public Employee Retirement Plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

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

service credits. A variety of death benefits is available under various eligibility criteria.

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

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	13
Active Employees	71
Total	<u>84</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are noncontributory. Bradley County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation and statutory provisions. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018, to the Retirement Plan were \$150,822, which is 3.97 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 to Pensions**

*Pension Liabilities (Assets).* Bradley County's net pension liability (asset) was measured at June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2017, 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 3.46% 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, 2017, 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.

*Changes of Assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4 percent; and modified the mortality assumptions.

*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 Bradley 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, 2016	\$ 0	\$ 0	\$ 0
Changes for the Year:			
Service Cost	\$ 0	\$ 0	\$ 0
Interest	0	0	0
Changes in Benefit Terms	49,439	0	49,439
Differences Between Expected and Actual Experience	0	0	0
Changes in Assumptions	0	0	0
Contributions-Employer	0	32,216	(32,216)
Contributions-Employees	0	40,270	(40,270)
Net Investment Income	0	3,874	(3,874)
Benefit Payments, Including Refunds of Employee Contributions	0	0	0
Administrative Expense	0	(4,122)	4,122
Other Changes	0	0	0
Net Changes	\$ 49,439	\$ 72,238	\$ (22,799)
Balance, June 30, 2017	\$ 49,439	\$ 72,238	\$ (22,799)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	92.08%	\$ 48,712	\$ 71,176	\$ (22,464)
School Department	7.92%	727	1,062	(335)
Total		\$ 49,439	\$ 72,238	\$ (22,799)

*Changes in Benefit Terms.* The June 30, 2017, valuation is the first valuation for the plan. Changes of benefit terms reflect the initial establishment of the plan's benefit terms.

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
<b>Bradley County</b>			
Net Pension Liability	\$ (8,503)	\$ (22,799)	\$ (33,208)

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

*Pension Expense or Negative Pension Expense.* For the year ended June 30, 2018, Bradley County recognized pension expense of \$10,465.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, Bradley 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	\$ 0	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,048
Changes in Assumptions	0	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	150,822	N/A
<b>Total</b>	<b>\$ 150,822</b>	<b>\$ 1,048</b>

- (1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 132,097	\$ 965
School Department	18,725	83
Total	<u>\$ 150,822</u>	<u>\$ 1,048</u>

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
2019	\$ (262)
2020	(262)
2021	(262)
2022	(262)
2023	0
Thereafter	0

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

**Public Employee Legacy Pension Plan**

**General Information About the Pension Plan**

*Plan Description.* Employees of Bradley County and non-certified employees of the discretely presented Bradley County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 78.03 percent, the non-certified employees of the discretely presented School Department comprise 21.97 percent of the

plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*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, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	502
Inactive Employees Entitled to But Not Yet Receiving Benefits	704
Active Employees	838
Total	<u>2,044</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Bradley 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, 2018, the employer contribution for Bradley County was \$3,770,241 based on a rate of 13.59 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Bradley 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)**

Bradley County's net pension liability (asset) was measured as of June 30, 2017, 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, 2017, 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 3.46% 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, 2017, 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
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		<u>100 %</u>

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

*Changes of Assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent;

decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4 percent; and modified the mortality assumptions.

*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 Bradley 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, 2016	\$ 88,923,556	\$ 87,242,678	\$ 1,680,878
Changes for the Year:			
Service Cost	\$ 2,356,853	\$ 0	\$ 2,356,853
Interest	6,721,598	0	6,721,598
Differences Between Expected and Actual Experience	958,121	0	958,121
Changes in Assumptions	2,297,633	0	2,297,633
Contributions-Employer	0	3,989,996	(3,989,996)
Contributions-Employees	0	0	0
Net Investment Income	0	9,920,516	(9,920,516)
Benefit Payments, Including Refunds of Employee Contributions	(3,318,209)	(3,318,209)	0
Administrative Expense	0	(70,885)	70,885
Other Changes	0	0	0
Net Changes	\$ 9,015,996	\$ 10,521,418	\$ (1,505,422)
Balance, June 30, 2017	\$ 97,939,552	\$ 97,764,096	\$ 175,456

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	78.03%	\$ 76,422,232	\$ 76,285,324	\$ 136,908
School Department	21.97%	21,517,320	21,478,772	38,548
Total		<u>\$ 97,939,552</u>	<u>\$ 97,764,096</u>	<u>\$ 175,456</u>

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

	1% Decrease	Current Discount Rate	1% Increase
<u>Bradley County</u>	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Net Pension Liability	\$ 13,810,620	\$ 175,456	\$ (11,111,529)

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

*Pension Expense or Negative Pension Expense.* For the year ended June 30, 2018, Bradley County recognized pension expense of \$2,367,630.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, Bradley 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	\$ 1,151,548	\$ 939,224
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	34,282
Changes in Assumptions	1,914,694	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	3,770,241	N/A
Total	<u>\$ 6,836,483</u>	<u>\$ 973,506</u>

- (2) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 5,339,542	\$ 759,626
School Department	1,496,941	213,880
Total	<u>\$ 6,836,483</u>	<u>\$ 973,506</u>

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
2019	\$ (215,971)
2020	1,033,433
2021	784,119
2022	(51,466)
2023	542,626
Thereafter	0

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

### **Discretely Presented Bradley County School Department**

#### **Non-certified Employees**

#### **General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, Employees of Bradley County and non-certified employees of the discretely presented Bradley County School Department with membership in the TCRS before October 1, 2016, are provided a defined benefit pension plan through the Public Employee Legacy Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The Public Employee Legacy Pension Plan is closed to new membership. Employees of Bradley County and non-certified employees of the discretely presented Bradley County School Department with membership in the TCRS after October 1, 2016, are provided with pensions through a legally separate plan, referred to as the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 92.08 percent and the non-certified employees of the discretely presented School Department comprised 7.92 percent of the Public Employee Retirement Plan based on contribution data. The primary government employees comprise 78.03 percent and the non-certified employees of the discretely presented School Department comprised 21.97 percent of the Public Employee Legacy Retirement Plan based on contribution data.

## **Certified Employees**

### **Teacher Retirement Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Bradley 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/tcrs](http://www.treasury.tn.gov/tcrs).

*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, 2018, to the Teacher Retirement Plan were \$225,883, which is four 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 Liabilities (Assets).* At June 30, 2018, the School Department reported a liability (asset) of (\$167,067) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, 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, 2017, the School Department's proportion was .633229 percent. The proportion as of June 30, 2016, was .604835 percent.

*Pension Expense.* For the year ended June 30, 2018, the School Department recognized pension expense of \$75,458.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, 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	\$ 5,855	\$ 12,565
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	8,990
Changes in Assumptions	14,678	0
Changes in Proportion of Net Pension Liability (Asset)	0	3,146
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	225,883	N/A
Total	\$ 246,416	\$ 24,701

The School Department's employer contributions of \$225,883, 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, 2019. 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
2019	\$ (1,119)
2020	(1,119)
2021	(1,633)
2022	(3,946)
2023	293
Thereafter	3,355

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, 2017, 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 3.46% 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, 2017, 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.

*Changes of Assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 33,332	\$ (167,067)	\$ (314,064)

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

### **Teacher Legacy Pension Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Bradley 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/tcrs](http://www.treasury.tn.gov/tcrs).

*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 Bradley County School Department for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were \$3,174,245, which is 9.08 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, 2018, the School Department reported a liability (asset) of (\$330,262) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was

measured as of June 30, 2017, 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, 2017, the School Department's proportion was 1.009410 percent. The proportion measured at June 30, 2016, was 1.018233 percent.

*Pension Expense.* For the year ended June 30, 2018, the School Department recognized pension expense of \$125,270.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, 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	\$ 199,105	\$ 6,818,360
Changes in Assumptions	2,797,128	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	50,128	0
Changes in Proportion of Net Pension Liability (Asset)	336,136	46,404
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	3,174,245	N/A
Total	<u>\$ 6,556,742</u>	<u>\$ 6,864,764</u>

The School Department's employer contributions of \$3,174,245 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, 2019. 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
2019	\$ (2,241,743)
2020	1,136,902
2021	(729,678)
2022	(1,647,742)
2023	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, 2017, 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 3.46% 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, 2017, 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.

*Changes of Assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

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

to all periods of projected benefit payments to determine the total pension liability.

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
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Net Pension Liability	\$ 29,633,925	\$ (330,262)	\$ (25,097,637)
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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**

### **Primary Government and Discretely Presented Bradley County School Department**

Employees of the primary government and certain non-certified employees of the discretely presented School Department hired after October 1, 2016, are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. The county and School Department contribute five percent of employee salaries into deferred compensation accounts managed by the hybrid plans pursuant to IRC Section 401(k). Additional contributions by employees are optional. These Section 401(k) plan assets remain the property of the participating employees and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the primary government contributed \$132,097 and the School Department contributed \$18,725 to the 401(k) portion of the hybrid pension plan for plan participants.

### **Discretely Presented Bradley County School Department**

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 \$225,883 and teachers contributed \$282,090 to this deferred compensation pension plan.

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

Bradley County provides OPEB benefits to its employees through a commercial insurance plan.

**Commercial Postemployment Benefits Plan**

*Plan Description.* The county participates in a commercial postemployment benefits plan administered by Cigna for its retirees and their covered dependents until they reach Medicare eligibility. Employees are eligible for OPEB benefits if they retire at any age with at least 30 years of service or if they are over the age 60 and have at least 5 years of service. For accounting purposes, the plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by the Board of Education. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

*Benefits Provided.* The benefit terms provide for the county to pay a percentage of the retirees healthcare costs depending on years of service with Bradley County. The county pays 100 percent of the individual premium of an employee who retires with at least 30 years of service and 50 percent of the individual premium for an employee who retires with 25 to 30 years service. Employees retiring with less than 25 years service pay 100 percent of the premium.

**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	17
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	625
Total	<u>642</u>

#### **Total OPEB Liability**

The county's total OPEB liability of \$4,520,994 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

Inflation	3%
Discount Rate	3.88%
Healthcare Cost Trend Rates	5.50%
Retirees share of Benefit-related Cost	0% to 100% depending on years of service and employee classification

The discount rate was based on the Bond Buyer GO-20 bond index.

Mortality rates were based on RHP-14 Total Table with Projection MP-2017.

The actuarial assumptions used in the June 30, 2018, valuation were based on plan data and costs presented by the county with concurrence by the actuary and certain actuarial assumptions from the 2017 Tennessee Consolidated Retirement Plan valuation report.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance July 1, 2017	\$ 4,221,453
Changes for the Year:	
Service Cost	\$ 260,439
Interest	171,332
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	0
Changes in Assumption and Other Inputs	0
Benefit Payments	(132,230)
Net Changes	<u>\$ 299,541</u>
Balance June 30, 2018	<u>\$ 4,520,994</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, the county recognized OPEB expense of \$431,771. At June 30, 2018, the county reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

*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 discount rate of 3.88 percent, as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (2.88%) or one percentage point higher (4.88%) than the current rate:

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Total OPEB Liability	\$ 5,088,322	\$ 4,520,995	\$ 4,021,830

*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 healthcare cost trend rate of 5.50 percent, as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Current Trend Rate 5.50%	1% Increase 6.50%
Total OPEB Liability	\$ 3,907,967	\$ 4,520,995	\$ 5,271,180

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

*Plan Description.* Employees of the Bradley 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 Bradley 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. Bradley 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 retirees premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% 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, 2017, the following employees were covered by the benefit terms:

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	64
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	929
Total	<u>993</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 \$576,840 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	Bradley County School Department 68.11%	State of TN 31.89%	Total OPEB Liability
Balance July 1, 2016	\$ 13,060,060	\$ 6,113,795	\$ 19,173,855
Changes for the Year:			
Service Cost	\$ 835,062	\$ 390,917	\$ 1,225,979
Interest	399,113	186,837	585,950
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(641,836)	(300,462)	(942,298)
Benefit Payments	(453,724)	(212,401)	(666,125)
Net Changes	<u>\$ 138,615</u>	<u>\$ 64,891</u>	<u>\$ 203,506</u>
Balance June 30, 2017	<u>\$ 13,198,675</u>	<u>\$ 6,178,686</u>	<u>\$ 19,377,361</u>

The Bradley 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 Bradley County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized \$549,673 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Bradley County School Department's proportionate share of the collective OPEB liability was 68.11% and the State of Tennessee's share was 31.89%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of \$1,723,864, including the state's share of the expense. At June 30, 2018, 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	\$ 0
Changes of Assumptions/Inputs	0	581,851
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	0
Benefits Paid After the Measurement Date	576,840	0
Total	<u>\$ 576,840</u>	<u>\$ 581,851</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:

<u>Year Ending June 30</u>	<u>School Department</u>
2019	\$ (59,981)
2020	(59,981)
2021	(59,981)
2022	(59,981)
2023	(59,981)
Thereafter	(281,946)

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>	<u>Current Discount Rate</u>
1% Decrease 2.56%	1% Increase 4.56%

Proportionate Share of the Collective Total OPEB Liability	\$ 14,209,507	\$ 13,198,676	\$ 12,235,525
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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.

**Healthcare Cost Trend Rate**

	1% Decrease 6.5 to 2.71%	Curent Rate 7.5 to 3.71%	1% Increase 8.5 to 4.71%
--	--------------------------------	--------------------------------	--------------------------------

Proportionate Share of the  
Collective Total OPEB  
Liability

\$ 11,613,355   \$ 13,198,676   \$ 15,088,684

**K. Termination Benefits**

The discretely presented Bradley County School Department offers a retirement incentive to employees who retire with at least five years of service with the School Department and 28 years of service with the Tennessee Consolidated Retirement System (TCRS). In accordance with contract provisions, eligible retirees can choose either the retirement incentive or the postemployment health insurance benefits noted above. The retirement incentive consists of a one-time cash payment between \$4,000 and \$10,000 depending on the employee's creditable service with TCRS. These payments are made only when employees choose to accept the incentive. During the year ended June 30, 2018, no School Department employees chose to accept the retirement incentive. Certified employees who retire are paid for accrued sick leave at the rate of \$10 per day up to a maximum of two-hundred days. During the year ended June 30, 2018, 21 certified School Department employees, at retirement, received the \$10 per day payout of unused sick leave for a cash payment of \$25,760.

**L. Purchasing Laws**

**Office of County Mayor**

Purchasing procedures for the County Mayor's Office are governed by provisions of Chapter 313, Private Acts of 1951, as amended. This statute provides for the county mayor to serve as purchasing agent and for all purchases exceeding \$10,000 to be made only after competitive bids have been received from two or more suppliers.

**Office of Road Superintendent**

Purchasing procedures for the Highway Department are governed by provisions of Chapter 354, Private Acts of 1947, and the Uniform Road Law, Section 54-7-113, *Tennessee Code Annotated (TCA)*, which provide for the Road Superintendent to make all purchases and for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

### Office of Director of Schools

Purchasing procedures for the discretely presented Bradley County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and the chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

#### **M. Subsequent Events**

On August 31, 2018, Eric Watson left the Office of Sheriff and was succeeded by Steve Lawson.

### **VI. OTHER NOTES – DISCRETELY PRESENTED BRADLEY HEALTHCARE AND REHABILITATION CENTER**

#### **A. Summary of Significant Accounting Policies**

##### Reporting Entity

Bradley Healthcare and Rehabilitation Center (the “nursing center”) is a component unit of Bradley County, Tennessee. The nursing center’s Board of Trustees is appointed by the Bradley County Board of Commissioners. Capital projects are funded primarily from general obligation bonds of the county.

##### Nature of Operations

The nursing center is principally engaged in providing long-term medical and therapeutic care to elderly residents of Bradley County and the surrounding area.

##### Basis of Accounting

The nursing center uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred using the economic resources measurement focus.

##### Use of Estimates

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

### Income Taxes

The Internal Revenue Service has ruled that the nursing center, as a component unit of Bradley County, is an exempt organization as described in Section 501(a) of the Internal Revenue Code; therefore, no provision for income taxes is provided in the financial statements.

### Patient Service Revenue

Patient service revenue is reported at the nursing center's estimated net realizable amounts from residents, third-party payors, and others for services rendered.

Retroactively-calculated contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

### Restricted Resources

The nursing center's restricted resources can be used only for the specific purpose for which they were given and are not normally used for nursing center operations.

### Cash Equivalents

For purposes of the statements of cash flows, the nursing center considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Limited use assets include cash held for patients, which are not considered cash equivalents for purposes of the statements of cash flows as they are not the property of the nursing center and can only be used at the direction of the patient. The nursing center also holds limited use assets that are restricted by donors for specific purposes until the specifications are met. These items are not considered cash equivalents until they are transferred to unrestricted net position.

### Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

### Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the depreciable assets, ranging from four to 50 years using the straight-line method.

### Compensated Absences

Accumulated paid time off is accrued when earned.

### Net Position

Net position of the nursing center is classified in four components. Investment in capital assets consists of property and equipment, net of accumulated depreciation, and reduced by any outstanding borrowings used to finance the purchase or construction of those assets. There was no outstanding debt for property and equipment. Expendable restricted net position is subject to donor-imposed restrictions that may or will be met, whether by action of the nursing center or the passage of time. When a restriction expires, expendable restricted net position for which the restricted purpose is related to the nursing center is reclassified to unrestricted net position and reported in the statement of revenues, expenses and change in net position as net position released from restrictions. Nonexpendable restricted net position is subject to donor-imposed stipulations that are required to be maintained permanently by the nursing center. Generally, the donors of nonexpendable restricted net position permit the nursing center to use all or part of the income earned on any related investment for general or specific purposes. Unrestricted net position is the remaining net position that does not meet the definition of investment in capital assets or restricted net position.

### Operating and Non-operating Revenues

The nursing center defines operating revenue as any revenue derived from the provision of services to patients or ancillary thereto. Any revenue earned that is not related to the provision of patient care services is considered non-operating.

## **B. Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the nursing center's deposits may not be returned to it. The nursing center's deposits are made to a local bank that participates in the Tennessee Bank Collateral Pool, a multi-entity risk pool that assumes the burden of collateralizing public funds on deposit with local banks. The Treasury Department of the State of Tennessee administers the pool. The Treasury Department, using uniform procedures, centralizes the collateralization of public funds. The funds in the pool are collateralized at 105 percent of the face amount of the deposits uninsured by the Federal Deposit Insurance Corporation (FDIC). All deposits are either insured by the FDIC or through the pool resulting in no custodial credit risk.

**C. Inventories**

Inventories consist of the following at June 30, 2018:

General Stores	\$ 51,567
Foods and Dietary	17,086
Enteral Feeding Supplies	<u>1,474</u>
Total	<u>\$ 70,127</u>

**D. Assets Whose Use Is Limited**

Assets whose use is limited are as follows at June 30, 2018:

Patient Trust Funds	\$ 72,189
Scholarship Fund	12,145
Activities Fund	20,170
Country Store Fund	1,709
Citizens' Endowment Fund	<u>339,324</u>
Total	<u>\$ 445,537</u>

These assets represent cash and certificates of deposit with a local financial institution. The patient trust funds are patients' personal assets and are reflected in the financial statements as both an asset and a liability. The Scholarship, Activities, Country Store, and Citizens' Endowment funds represent restricted cash and are shown on the balance sheet as both limited use assets and restricted net position.

**E. Property and Equipment**

Property and equipment consist of the following:

	Balance 7-1-17	Increases	Balance 6-30-18
Land	\$ 1,250	\$ 0	\$ 1,250
Land Improvements	379,814	0	379,814
Buildings	5,573,420	52,650	5,626,070
Fixed Equipment	1,094,990	0	1,094,990
Major Movable	1,931,342	24,291	1,955,633
Computer Software	43,695	6,500	50,195
Computer Hardware	138,924	11,762	150,686
Vehicles	150,232	36,203	186,435
Total	<u>\$ 9,313,667</u>	<u>\$ 131,406</u>	<u>\$ 9,445,073</u>
Less: Accumulated Depreciation:			
Land Improvements	\$ 333,016	\$ 12,369	\$ 345,385
Buildings	4,415,735	135,076	4,550,811
Fixed Equipment	901,755	26,330	928,085
Major Movable	1,763,718	39,281	1,802,999
Computer Software	43,696	361	44,057
Computer Hardware	135,079	2,673	137,752
Vehicles	124,659	16,356	141,015
Total	<u>\$ 7,717,658</u>	<u>\$ 232,446</u>	<u>\$ 7,950,104</u>
Property and Equipment, Net	<u>\$ 1,596,009</u>	<u>\$ (101,040)</u>	<u>\$ 1,494,969</u>

**F. Nonexpendable Restricted Net Position**

Assets whose use is permanently restricted are as follows at June 30, 2018:

Scholarship	\$ 12,000
Citizens' Endowment Fund	<u>325,222</u>
Total	<u>\$ 337,222</u>

**Citizens' Endowment Fund**

On December 27, 2005, the trustees of the nursing center took over control of the Bradley Memorial Hospital Citizens' Endowment Fund. The fund was originally established at the bequest of a private citizen to provide a source of income for the Bradley Memorial Hospital (the "hospital"). On October 14, 2005, the hospital was sold to a private entity and in accordance with the terms of the hospital's Declaration of Trust, the assets of the fund were required to be transferred to another county-owned entity. The trustees of the nursing center took over management of the fund by executing a separate Declaration of Trust dated December 27, 2005. Should the nursing center be sold to a private entity, these funds are to be transferred to the Cleveland Public Library.

Donations may be made to the fund and be designated as restricted or unrestricted. No part of the original principal of the fund shall be expended; it should be invested and reinvested by the nursing center's trustees at a financial institution in Bradley County, Tennessee, and be fully insured by a federal agency. All income of the fund must be used for exempt purposes under federal tax laws and regulations applicable to the fund.

A total of \$14,102 in earnings on the endowment investment are available for authorization for expenditure by the board and is reported on the balance sheet as part of expendable restricted net position.

#### Scholarship Fund

The Scholarship Fund was established by a former medical director of the nursing center as a memorial to his sister. The corpus of the fund is to be held in a certificate of deposit with the earnings to be used to fund scholarships for nursing center employees who desire to pursue a career in nursing. The fund is administered by the trustees through the nursing center's management.

### **G. Net Patient Service Revenue**

#### Medicare

The nursing center is paid for Medicare patients under a prospective payment system that bases payment on categories that are indicative of the amount of resources used to treat the specific patient. The category is determined based on periodic clinical assessments of the patient's functional ability.

#### TennCare

Services rendered to TennCare recipients are reimbursed at per day rates determined by the Tennessee Comptroller's Office. The rates are subject to ceilings for both skilled and intermediate care. The per-diem rate is established prospectively, based on the prior-year's cost report.

A summary of gross and net patient revenues for the year ended June 30, 2018, follows:

Medicare	\$ 5,643,029
TennCare	7,377,701
Other	<u>2,385,235</u>
Gross Patient Service Revenues	\$ 15,405,965
Contractual Adjustments and Uncollectible Accounts	<u>(2,100,614)</u>
Net Patient Service Revenue	<u>\$ 13,305,351</u>

**H. Accrued Leave**

The nursing center has an all-purpose paid time off (PTO) policy. Employees who work 30 hours or more per week are eligible to earn and use PTO. PTO is accrued using a formula based on length of employment at the nursing center. Accrued but unpaid PTO benefits at June 30, 2018, were \$330,579, and are included in accrued payroll as a current liability.

**I. Pension Plan**

The nursing center sponsors a 403(b) salary deferral plan for the benefit of its employees. Under the plan, employees are allowed to defer a portion of their earnings up to certain maximum amounts. The nursing center matches the employee contributions at the amount deferred up to four percent. The employer match totaled \$214,098 for the year ended June 30, 2018. There was no unpaid liability at June 30, 2018.

**J. Commitments and Contingencies**

Leases that do not meet the criteria for capitalization are classified as operating leases with the related rentals charged to operations as incurred.

Total rental expense for all operating leases was \$18,209 for 2018 and is included in the general services expense classification.

**K. Risk Financing and Related Insurance Issues**

The nursing center is insured for professional liability under a claims-made policy with an independent insurance carrier. The policy covers all claims reported to the carrier for incidents that occur during the coverage period. The coverage period coincides with the nursing center's fiscal year. Coverage was renewed under a binder of coverage at June 30, 2018, rendering the need for tail coverage unnecessary. Premiums are determined by a variety of factors related to the nursing center.

The nursing center is subject to the risks of torts by its employees; theft, destruction or damage to its fixed assets; business interruptions; errors or omissions; injury or illness of employees while in the course of their

employment and acts of God, such as fires, floods and earthquakes. The nursing center insures itself against losses due to these exposures through the purchase of commercial liability and workers' compensation insurance from reputable insurers. There have been no substantial losses incurred in prior years, and the amount of coverage purchased has not been reduced. Management is unaware of any potential claims that would result in reductions to or cancellation of coverage by the insurer.

**L. Subsequent Events**

Subsequent events for the nursing center have been evaluated through the financial statement date of issuance.

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>.