

NEW ISSUE
BOOK-ENTRY-ONLY

PRELIMINARY OFFICIAL STATEMENT

\$4,965,000*
MCMINN COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2021
(Hiwassee Utility Commission)

OFFERED FOR SALE NOT SOONER THAN

Wednesday, April 21, 2021 at 10:15 A.M. E.D.T.
Through the Facilities of *PARITY*[®]
and at the offices of
Cumberland Securities Company, Inc.



SINCE 1931

CUMBERLAND SECURITIES
INDEPENDENT FINANCIAL ADVISOR

April 14, 2021

*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 14, 2021

NEW ISSUE

Rating: S&P – “AA-”

BOOK-ENTRY-ONLY

(See “MISCELLANEOUS-Rating” herein)

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

\$4,965,000*

**MCMINN COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2021
(Hiwassee Utility Commission)**

Dated: Date of delivery (Assume May 25, 2021).

Due: May 1, as shown below.

The \$4,965,000* General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission) (the “Bonds”) issued by McMinn County, Tennessee (the “County”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal, and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on November 1, 2021 and thereafter on each May 1 and November 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. The Bonds shall be additionally payable from, but not secured by, the revenues consisting of payments by the Hiwassee Utility Commission (the “Commission”) to the County under an intergovernmental revenue note of the Commission in favor of the County, which note is payable from the Commission's revenues derived from the operation of the Commission's water procurement, treatment, storage, and distribution system. See section entitled “SECURITIES OFFERED – Security”.

The Bonds maturing May 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2029.

<u>Due</u> <u>(May 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(May 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2022	\$240,000				2033	\$235,000			
2023	240,000				2034	235,000			
2024	240,000				2035	235,000			
2025	240,000				2036	235,000			
2026	240,000				2037	235,000			
2027	240,000				2038	235,000			
2028	235,000				2039	235,000			
2029	235,000				2040	235,000			
2030	235,000				2041	235,000			
2031	235,000				2042	235,000			
2032	235,000								

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 Vance Baker, esquire, County Attorney. 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 _____, 2021.

Cumberland Securities Company, Inc.

Municipal Advisor

*Preliminary, subject to change.

_____, 2021

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

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *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 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.

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

MCMINN COUNTY, TENNESSEE

OFFICIALS

County Mayor
Director of Finance
County Clerk
County Attorney

John Gentry
Jason Luallen
Melinda King
Vance Baker

BOARD OF COUNTY COMMISSIONERS

Brent Carter	Tad Simpson
Jerry Millsaps	J.W. McPhail
Roger Masingale	Tim King
Dale Holbrook	Charles Slack
David Crews	Scott Curtis

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

TABLE OF CONTENTS

SUMMARY STATEMENT	i
SUMMARY NOTICE OF SALE	iii
DETAILED NOTICE OF SALE	iv
EXHIBIT A	xii
EXHIBIT B	xiv
BID FORM	xvii
SECURITIES OFFERED	
Authority and Purpose	1
Refunding Plan	1
Description of the Bonds	1
Security	2
Qualified Tax-Exempt Obligations	2
Optional Redemption of the Bonds	2
Mandatory Redemption	3
Notice of Redemption	4
Payment of Bonds	4
BASIC DOCUMENTATION	
Registration Agent	5
Book-Entry-Only System	5
Discontinuance of Book-Entry-Only System	7
Disposition of Bond Proceeds	8
Discharge and Satisfaction of Bonds	8
Remedies of Bondholders	9
LEGAL MATTERS	
Litigation	10
Tax Matters	
<i>Federal</i>	10
<i>State Tax</i>	12
Changes in Federal and State Tax Law	12
Closing Certificates	12
Approval of Legal Proceedings	13
MISCELLANEOUS	
Rating	14
Competitive Public Sale	14
Municipal Advisor; Related Parties; Other	14
Additional Debt	15
Debt Limitations	16
Debt Record	16
Continuing Disclosure	16
<i>Five-Year History of Filing</i>	16
<i>Content of Annual Report</i>	16
<i>Reporting of Significant Events</i>	17
<i>Termination of Reporting Obligation</i>	18
<i>Amendment; Waiver</i>	18
<i>Default</i>	19
Bondholder Risk – COVID-19	19
Additional Information	21
CERTIFICATION OF THE COUNTY	22

APPENDIX A: LEGAL OPINION

APPENDIX B-1: MCMINN COUNTY SUPPLEMENTAL INFORMATION STATEMENT

General Information

Location B-1
General..... B-1
Transportation B-1
Education B-2
Healthcare B-2
Manufacturing and Commerce B-3
 Major Employers in the County B-4
Employment Information..... B-4
Economic Data..... B-5
Recent Developments B-6

Debt Structure

Summary of Long-Term Indebtedness B-7
Indebtedness and Debt Ratios B-8
Debt Service Requirements – Hiwassee Utility Commission B-10

Financial Information

Basis of Accounting and Presentation..... B-11
Fund Balances and Retained Earnings..... B-11
Five-Year Summary of Revenues, Expenditures and
 Changes in Fund Balance – General Fund B-12
Investment and Cash Management Practices..... B-13
Real Property Assessment, Tax Levy and Collection Procedures
 State Taxation of Property B-13
 County Taxation of Property..... B-14
 Assessment of Property B-14
 Periodic Reappraisal and Equalization..... B-16
 Valuation for Property Tax Purposes B-16
 Certified Tax Rate B-16
 Tax Freeze for the Elderly Homeowners B-17
 Tax Collection and Tax Lien..... B-17
 Assessed Valuations B-18
 Property Tax Rates and Collections B-18
 Ten Largest Taxpayers B-19
Pension Plans B-19

APPENDIX B-2: HIWASSEE UTILITY COMMISSION SUPPLEMENTAL INFORMATION STATEMENT

The Commission

Introduction..... B-1
History..... B-1
Location B-1
Economic Dependency B-1
Board of Commissioners..... B-2
Rates..... B-2
Operating Revenues B-2
System of Operations..... B-3

Debt Structure

Summary of Bonded Indebtedness B-4
Bonded Debt Service Requirements B-5
Five Year Summary of Revenues, Expenditures and

Changes in Retained EarningsB-6
Historical Debt Service CoveragesB-7

APPENDIX C-1: MCMINN COUNTY GENERAL PURPOSE FINANCIAL STATEMENTS

APPENDIX C-2: HIWASSEE UTILITY COMMISSION GENERAL PURPOSE FINANCIAL STATEMENTS

SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *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	McMinn County, Tennessee (the “County” or “Issuer”). See APPENDIX B contained herein.
Securities Offered.....	\$4,965,000* General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission) (the “Bonds”) of the County, dated the date of issuance (assume May 25, 2021). The Bonds mature each May 1 beginning May 1, 2022 through May 1, 2042, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security	The Bonds are payable from unlimited <i>ad valorem</i> taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. The Bonds shall be additionally payable from, but not secured by, the revenues consisting of payments by the Hiwassee Utility Commission (the "Commission") to the County under an intergovernmental revenue note of the Commission in favor of the County, which note is payable from the Commission's revenues derived from the operation of the Commission's water procurement, treatment, storage and distribution system.
Purpose	The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds of the County, as described 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 May 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2029.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
Bank Qualification.....	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	S&P: “AA-”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Municipal Advisor.....	Cumberland Securities Company, Inc., See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.
Underwriter.....	_____.
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.

*Preliminary, subject to change.

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

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

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

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

Other Information.....The information in this *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof 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 *Preliminary Official Statement* contact John Gentry, 6 East Madison Avenue, Athens, TN, 37303 (423) 745-7634; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BidCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning Fund Balance	\$ 7,674,056	\$ 7,705,733	\$ 7,365,388	\$ 6,912,713	\$ 7,579,990
Revenues	10,191,123	10,546,580	11,541,261	12,803,383	12,857,533
Expenditures	11,355,447	12,026,44	13,241,434	13,410,566	14,195,976
Other Financing Sources:					
Lease / Sale of Assets	-	-	36,856	-	-
Insurance Recovery	-	-	-	-	-
Transfers In	1,196,001	1,139,519	1,210,642	1,274,460	1,889,188
Transfers Out	-	-	-	-	-
Ending Fund Balance	<u>\$ 7,705,733</u>	<u>\$ 7,365,388</u>	<u>\$ 6,912,713</u>	<u>\$ 7,579,990</u>	<u>\$ 8,130,735</u>

Source: Comprehensive Annual Financial Reports of the County.

SUMMARY NOTICE OF SALE

\$4,965,000*

MCMINN COUNTY, TENNESSEE General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission)

NOTICE IS HEREBY GIVEN that the County Mayor of McMinn County, Tennessee (the “County”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, April 21, 2021** for the purchase of all, but not less than all, of the County's \$4,965,000* General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission) (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by 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 and maturity amounts 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 Daytime 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-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume May 25, 2021). The Bonds will mature on May 1 in the years 2022 through 2042, inclusive, with term bonds optional, with interest payable on May 1 and November 1 of each year, commencing November 1, 2021. Bidders must bid not less than ninety-nine and one-half percent (99.50%) of par or 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 three percent (3.00%) per annum.** Unless all 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 as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.

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

/s/ John Gentry
County Mayor

*Preliminary, subject to change.

DETAILED NOTICE OF SALE

\$4,965,000*

MCMINN COUNTY, TENNESSEE General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission)

NOTICE IS HEREBY GIVEN that the County Mayor of McMinn County, Tennessee (the “County”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, April 21, 2021** for the purchase of all, but not less than all, of the County's \$4,965,000* General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission) (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 by 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 and maturity amounts 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 fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance (assume May 25, 2021), bear interest payable each May 1 and November 1, commencing November 1, 2021 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, and will mature and be payable as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$240,000	2033	\$235,000
2023	240,000	2034	235,000
2024	240,000	2035	235,000
2025	240,000	2036	235,000
2026	240,000	2037	235,000
2027	240,000	2038	235,000
2028	235,000	2039	235,000
2029	235,000	2040	235,000
2030	235,000	2041	235,000
2031	235,000	2042	235,000
2032	235,000		

Bank Qualification. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

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-only system maintained by DTC (the “Book-Entry-Only System”). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. 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 or upon earlier redemption 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 successful bidder for the Bonds certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of 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, 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) 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 and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged. The Bonds shall be additionally payable from, but not secured by, the revenues consisting of payments by the Hiwassee Utility Commission (the "Commission") to the County under an intergovernmental revenue note of the Commission in favor of the County, which note is payable from the Commission's revenues derived from the operation of the Commission's water procurement, treatment, storage and distribution system.

Municipal Bond Insurance. The County has provided information to prospective bond insurance companies in order to qualify the Bonds under their respective optional bidding programs. If the successful bidder or bidders for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder or bidders does so at its own risk and expense and the obligation of the successful bidder to pay for such series Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The County will cooperate with the successful bidder(s) in obtaining such insurance, but the County will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder(s) will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of the rating agency that will be paid by the County.

Purpose. The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain outstanding bonds of the County; and (ii) payment of the costs related to the issuance and sale of the Bonds.

Optional Redemption. The Bonds maturing on May 1, 2030 and thereafter are subject to optional redemption prior to maturity at the option of the County on or after May 1, 2029, at any time at the redemption price of par plus accrued interest.

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 a successful bidder for the Bonds designates certain consecutive serial maturities of such 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 bid 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.

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 three percent (3.00%) per annum for the Bonds. 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-half percent (99.50%) 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 this 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 this 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, 2nd Floor, New York, NY, 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process bidders may submit bids 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.

Any 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*.

The County reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted.

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the County Mayor 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. 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.

After receipt of the bids, the County reserves the right to make adjustments and/or revisions to the Bonds, as described below.

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 or if the refundings fail to save the County the funds necessary to complete the refundings. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust the original par amount of the Bonds by up to twenty-five percent (25%). The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. 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.

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 Daytime 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 (by wire transfer) 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 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. The wire instructions will be sent to the winning bidder after all bids are received.

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 for the Bonds 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 *Official 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 bidders 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 each 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.

Establishment of Issue Price

- a. The successful bidder shall assist the County in establishing the issue price of the Bonds as more fully described herein. 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 expects to receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 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.

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 as to the Bonds, the County shall so advise the successful bidder. In such event, the County intends to treat the (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 winning bidder shall advise the County promptly after the award of the Bonds if any maturities of the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The Hold-the-Offering-Price Rule shall apply to all maturities that do not satisfy the 10% Test as of the sale date. 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, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Bonds shall be deemed to have (i) confirmed 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.

In the event of application of the Hold-the-Offering-Price Rule to any maturity of the Bonds, any successful bidder will advise the County promptly after the close of the fifth (5th) business day after the sale date whether it has 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.

- e. By submitting a bid, each bidder confirms that:
 - (i) any agreement among underwriters, any selling group agreement and each third-party 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 third-party distribution agreement, as applicable:
 - (A) (1) to report the prices at which it sells to the public any unsold Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5th) business day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,
 - (B) to promptly notify the successful bidder of the Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and
 - (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.
 - (ii) any agreement among underwriters or selling group agreement 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 or dealer that is a party to a third-party 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 third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity to which the Hold-the-Offering-Price Rule applies allocated to it until the close of the fifth (5th) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

- f. The County acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, 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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, 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 third-party 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 requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, 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 third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds.
- g. Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public 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 third-party 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 (A) more than 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), (B) 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 (C) 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 and meeting the requirements of bond counsel. The form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Competitive Sale Requirements are met, and the form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit B if the Competitive Sale Requirements are not met.

Legal Opinion. The 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 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 (the "MSRB") through the operation of the Electronic Municipal Market Access system (the "EMMA") 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 notices of material events will be filed by the County either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events are summarized in the *Preliminary Official Statement*.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days' notice will be given to the successful bidder of such delivery. Delivery will be made in Book-Entry-Only 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.

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 to the persons to whom each such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of a bid of the Bonds 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*, this Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York, 10018, Telephone: 212-849-5000.

/s/ John Gentry, County Mayor

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EXHIBIT A

**MCMINN COUNTY, TENNESSEE
[§ _____] GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021
(HIWASSEE UTILITY COMMISSION)**

**ISSUE PRICE CERTIFICATE
(if Competitive Sales Requirement is met)**

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 McMinn 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.
- (c) *Related party* means an entity that shares with another entity (1) more than 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), (2) 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 (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest 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 interest by one entity of the other).
- (d) *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 21, 2021.
- (e) *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 third-party 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

MCMINN COUNTY, TENNESSEE
[§ _____] GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021
(HIWASSEE UTILITY COMMISSION)

**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 McMinn County, Tennessee (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
 - (a) [SHORT NAME OF UNDERWRITER] 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 [Detailed Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER] 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 third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party 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.
3. ***Defined Terms.***
 - (a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
 - (b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-the-Offering-Price Maturities.”
 - (c) *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] 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.
 - (d) *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.

- (e) *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.
- (f) *Related party* means an entity that shares with another entity (1) more than 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), (2) 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 (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest 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 interest by one entity of the other).
- (g) *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 21, 2021.
- (h) *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 third-party 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: _____

BID FORM

Honorable John Gentry, County Mayor
 6 East Madison Avenue
 Athens, TN 37303

April 21, 2021

Dear Mayor Gentry:

For your legally issued, properly executed \$4,965,000* General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission) (the "Bonds") of McMinn County, Tennessee, in all respects as more fully outlined in your Detailed Notice 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 issuance (assume May 25, 2021) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on May 1 and bear interest at the following rates:

<u>May 1</u> <u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>May 1</u> <u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2022	\$240,000	_____%	2033	\$235,000	_____%
2023	240,000	_____%	2034	235,000	_____%
2024	240,000	_____%	2035	235,000	_____%
2025	240,000	_____%	2036	235,000	_____%
2026	240,000	_____%	2037	235,000	_____%
2027	240,000	_____%	2038	235,000	_____%
2028	235,000	_____%	2039	235,000	_____%
2029	235,000	_____%	2040	235,000	_____%
2030	235,000	_____%	2041	235,000	_____%
2031	235,000	_____%	2042	235,000	_____%
2032	235,000	_____%			

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

- Term Bond 1: Maturities from May 1, 20_____ through May 1, 20_____ @ _____%.
- Term Bond 2: Maturities from May 1, 20_____ through May 1, 20_____ @ _____%.
- Term Bond 3: Maturities from May 1, 20_____ through May 1, 20_____ @ _____%.
- Term Bond 4: Maturities from May 1, 20_____ through May 1, 20_____ @ _____%.
- Term Bond 5: Maturities from May 1, 20_____ through May 1, 20_____ @ _____%.
- Term Bond 6: Maturities from May 1, 20_____ through May 1, 20_____ @ _____%.

It is our understanding that the Bonds are offered for sale as "qualified tax-exempt obligations" 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 up to 2% of the Bonds on which we have bid by the close of business on the date following 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
 McMinn County, Tennessee, this
 21st day of April, 2021.

 John Gentry, County Mayor

Respectfully submitted,

Total interest cost from
 May 25, 2021 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.

\$4,965,000*
MCMINN COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2021
(Hiwassee Utility Commission)

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement* which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by McMinn County, Tennessee (the "County") of \$4,965,000* General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission) (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to resolutions duly adopted by the County Commission of the County on March 15, 2021 (the "Resolutions").

The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds, as described in the "REFUNDING PLAN" below; and (ii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The County is proposing to refund the County's outstanding General Obligation Refunding Bonds, Series 2015 (Hiwassee Utility Commission), dated December 15, 2015, maturing June 1, 2022 through June 1, 2042 in the outstanding principal amount of \$4,845,000 (the "Outstanding Bonds").

The Outstanding Bonds were issued for the benefit of the Hiwassee Utility Commission (the "Commission"). The Commission was jointly created by the County and Bradley County by an Interlocal Agreement, dated November 2, 1972 for the purpose of providing for the establishment, development, management and operation of the business of the Commission. The Commission operates a water procurement, treatment, storage and distribution system (the "System") that supplies water to the citizens of the County and Bradley County.

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

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery (assume May 25, 2021). Interest on the Bonds will be payable semi-annually on May 1 and November 1,

commencing November 1, 2021. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. The Bonds shall be additionally payable from but not secured by the revenues, consisting of payments by the Commission to the County under an intergovernmental revenue note of the Commission in favor of the County, which note is payable from the Commission's revenues derived from the operation of the System.

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION OF THE BONDS

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

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of the County, in its discretion. If less than all the principal amount of

the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

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

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

MANDATORY REDEMPTION

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 May 1, 20__, and May 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 within a maturity shall be selected in the manner described above relating to optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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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) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

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

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows. 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-Only 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 of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over

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

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

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may

wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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-Only System has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent and the

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

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

DISPOSITION OF BOND PROCEEDS

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

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

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

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

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

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

REMEDIES OF BONDHOLDERS

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

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

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

LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

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

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

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

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

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

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

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-”.

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 21, 2021. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 14, 2021.

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 less an original issue discount of \$ _____) or ____% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., has served as Municipal Advisor (the “Municipal Advisor”) to the County for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the County to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the County, including without limitation any of the County’s financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the County, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or

completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to review or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

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

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this *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.

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

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

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

ADDITIONAL DEBT

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

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DEBT LIMITATIONS

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

DEBT RECORD

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

CONTINUING DISCLOSURE

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

Five-Year History of Filing. 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 bonds insured by such insurance companies were made or made in a timely manner as required by Rule 15c2-12. The County does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the County, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;

- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the County, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms as of a financial obligation of the County, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the County, any of which reflect financial difficulties.

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

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

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

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

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

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

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

BONDHOLDER RISK - COVID-19

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

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

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

For the current fiscal year, the Issuer's largest source of revenues is property tax revenues. Property tax revenues are levied each year on the 1st Monday in October and are delinquent the following March 1st. The Issuer has already collected almost 91% of its billed property taxes for tax year 2020, which is comparable to prior years. Economic uncertainties resulting from the COVID-19 outbreak may result in delays in collecting the remaining amount of tax year 2020 property taxes outstanding, which is a relatively small portion of the Issuer's revenues, and may also affect collections in future years if the COVID-19 outbreak and resulting economic restrictions continue.

The administration for the Issuer has a budget for the 2021 fiscal year commencing July 1, 2020 which anticipates an overall 0% increase in revenues. This increase includes a projected 38% increase in sales tax revenues. Given the uncertainties as to when businesses, including tourism-related businesses, will be fully operational, the projected revenues from sales and use taxes, hotel-motel taxes and other similar business taxes may be significantly less or more than what has been projected in the Issuer's proposed budget.

With respect to sales and use tax revenues for the dates outlined below, the Issuer's local sales and use tax revenues were:

	2019 Revenues	2020 Revenues	% Increase or Decrease
Jan	\$ 919,073.71	\$ 945,206.69	2.8%
Feb	952,102.78	970,778.04	2.0%
Mar	1,155,422.17	1,071,099.67	(7.3%)
Apr	1,075,527.75	1,107,521.31	3.0%
May	1,110,045.31	1,667,249.24	50.2%
Jun	1,121,825.11	993,865.98	(12.9%)
Jul	1,048,460.81	1,596,853.45	52.3%
Aug	1,043,843.22	1,546,313.65	48.1%
Sep	1,071,457.24	1,638,371.19	52.9%
Oct	1,019,396.87	1,638,379.27	60.7%
Nov	1,022,224.88	1,684,214.60	64.8%
Dec	1,396,539.13	2,195,150.71	57.2%
TOTAL	\$12,935,912.98	\$17,055,011.80	31.8%

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

The Issuer's liquidity position remains strong. As of June 30, 2020, the Issuer is estimating in excess of \$7 million in fund balance for the General Fund (\$2 million unassigned), which is approximately 50% of the Issuer's General Fund budget for the 2021 fiscal year. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

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

ADDITIONAL INFORMATION

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

Any statements made in this *Preliminary Official Statement* involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this *Preliminary Official Statement* 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 THE COUNTY

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

/s/ _____
County Mayor

ATTEST:

/s/ _____
County Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by McMinn County, Tennessee (the "Issuer") of the \$_____ General Obligation Refunding Bonds, Series 2021 (Hiwassee Utility Commission) (the "Bonds") dated _____, 2021. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

2. The resolution of the 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. The Bonds shall be additionally payable from, but not secured by, the revenues consisting of payments by the Hiwassee Utility Commission (the "Commission") to the Issuer under an intergovernmental revenue note of the Commission in favor of the Issuer, which note is payable from the Commission's revenues derived from the operation of the Commission's water procurement, treatment, storage and distribution system.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

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

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

Yours truly,

**SUPPLEMENTAL INFORMATION STATEMENT
MCMINN COUNTY, TENNESSEE**

GENERAL INFORMATION

LOCATION

McMinn County (the “County”) is located in Southeast Tennessee. The County is bordered by Meigs County to the west, Roane and Loudon Counties to the north, Monroe County to the east, and Bradley and Polk Counties to the south. The City is located about 52 miles north from Chattanooga and 58 miles south from Knoxville. The City of Athens is the county seat and is the largest city in the County at a population of 13,458. According to the 2010 Census, the City of Etowah has a population of 3,490. The County has a population of 52,266 according to the 2010 Census.

GENERAL

Main Street Program. McKenzie was accredited with Tennessee Main Street Accreditation. McKenzie has a historically significant downtown that it plans to improve through the Main Street program, encouraging new investment and entrepreneurship.

As of August 2020, there are 39 communities that are accredited through the state program Tennessee Main Street Accreditation and a program of the national Trust for Historic Preservation (called Main Street America). The Main Street Program provides training, support and grant opportunities to assist in downtown revitalization efforts to focus on historic preservation, community events and economic revitalization. In 2019, accredited Tennessee Main Street communities generated \$111 million of public and private investment and nearly 1,000 new jobs. The Tennessee Main Street Program requires communities to illustrate a commitment from local government and other local organizations, an adequate organizational budget, a strong historic preservation ethic, a collection of historic commercial buildings and a walkable district.

Athens was designated a Micropolitan Statistical Area (the “mSA”). The Athens mSA had a population of 52,266 according to the 2010 US Census. The Athens mSA 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 McMinn, 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.

TRANSPORTATION

The County has I-75 access located in Athens and has US Highway 411 and State Highway 30 going through Etowah. Other highways in the County are US 11 and State Highways 39, 305 and 309. Rail transportation is provided by CSX Transportation and Norfolk-Southern Railroad. The nearest port is in Chattanooga on the Hiwassee about 50 miles to the south. McMinn County Airport is the local airport with a 5,500-foot runway. The nearest commercial airports are the McGhee Tyson Airport in Knoxville and the Chattanooga Metro Airport both about 50 miles to the north and south, respectively.

EDUCATION

The *City of Etowah School System* operates a single elementary school with a fall 2020 enrollment of about 387 with about 26 teachers. The *City of Athens School System* operates five schools. The 2020 fall enrollment is about 1,786 students with about 110 teachers. The *McMinn County School System* operates nine schools. The System had a fall 2020 enrollment of about 5,491 students with about 349 teachers. The County also has a vocational high school. There are a total of 3 schools within the city limits of Etowah: two elementary schools, one City operated and one County operated, and one County operated high school.

Source: Tennessee Department of Education.

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 2019 semester had an enrollment of 3,272 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.

Tennessee Wesleyan College is a private, four-year liberal arts college located in Athens (McMinn County) and is affiliated with the Holston Conference of the United Methodist Church. The College offers baccalaureate programs in fine arts, humanities, natural and social sciences as well as business, nursing, other career-related areas, and teacher certification. The College was founded in 1857 and one of the original buildings on the forty-acre campus is Old College Hall, which is listed on the National Register of Historic Places. Tennessee Wesleyan College enrolls over 850 students. A sister school, Nagasaki Wesleyan, is located in Isahaya, Japan. Each year, several Nagasaki Wesleyan students transfer to TWC to complete their degrees.

Source: Tennessee Wesleyan College.

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 2018 enrollment was 721 students.

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

HEALTHCARE

Starr Regional Medical Center – Starr Regional Medical Center (the "SRMC") is a 190-bed acute care facility in Athens. This facility is part of LifePoint Hospital, Inc. based in Brentwood, Tennessee. LifePoint, after being combined with Riverview Regional Medical Center Healthcare in 2018, has a network of 84 hospital hospitals in 30 states.

Source: LifePoint Hospitals, Inc.

Woods Memorial Hospital, located in Etowah, is an acute care, 72-bed facility. It is a county-owned facility. Services offered by Woods include home health, hospice, a regional dialysis center, a weight management program, an occupational health clinic, birthing center and a better breathing center. Woods also operates the county's ambulance service and a nursing home. There are about 300 full time employees with 75 physicians representing numerous specialties.

Source: Wood Memorial Hospital.

MANUFACTURING AND COMMERCE

Industrial Parks. Athens/McMinn Interstate Industrial Park (350 acres) and the Mt. Verd Interchange Industrial Park (233 acres) are both located in Athens.

Select Tennessee Certified Sites. The North Etowah Industrial Park (271 acres) and the 75 Regional Commerce Park (149 acres) are both certified as Select Tennessee Certified Sites. The Select Tennessee Certified Sites Program has helped communities prepare industrial sites for private investment and job creation since 2012. The certification process ensures that each certified site meets high quality standards and are primed for development. Certified sites must have documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access. The program's goal is to give companies detailed and reliable information during the site selection process and markets the sites to a targeted group of site selection consultants and business leaders in Tennessee's key industry clusters. As of January 2021, sixty-five sites in Tennessee have been certified and 23 companies have invested over \$1.8 billion in capital investment to construct facilities on certified sites, accounting for more than 7,200 new job commitments.

Source: Tennessee Department of Economic and Community Development.

DENSO Tennessee. The automotive parts plant DENSO has three locations in the state – Maryville, Athens and Jackson – and employs roughly 5,000 people in Tennessee as of March 2019. DENSO's Athens facility manufactures fuel injectors, fuel pumps, oxygen sensors, ignition coils, monolithic carriers and spark plugs. DENSO has invested approximately \$3 billion in Tennessee. DENSO is a leading global automotive supplier of advanced technology, systems and components in the areas of thermal, powertrain control, electronics and information and safety. The company provides parts for 20 automakers, including Toyota, Honda, Daimler Chrysler, General Motors, Ford and Subaru. DENSO employs more than 23,000 people across the North American region, and DENSO's North American consolidated sales totaled \$10.9 billion for the fiscal year ending March 31, 2018.

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Major Employers in McMinn County, Tennessee

<u>Company</u>	<u>Product/Service</u>	<u>Employment</u>
Hackney Home Furnishing	Furniture	1,523
DENSO	Auto Exhaust System	1,400
Calhoun Newprint Co	Paper	900
McMinn County	Government & Education	800
McMinn County Schools	Education	713
Johnson Controls	Metal Seat Frames	705
Athens Regional Medical Center	Hospital	625
Resolute Forest Products	Paper mil	567
Waupaca Foundry, INC	Gray, Aluminum Iron Castings	554
Heil Trailer International	Aluminum Tanker Truck Trailers	500
Adient US	Manufacturer	452
Woods Memorial	Hospital	360
Mayfield Dairy Farms	Dairy Products	350
Thomas & Betts	Switch Boxes, Outlets	350
Athens Regional Medical Center	Hospital	305
Manville Johns Corporation	Manufacturer	300
Johns Manville	Mat Fiber and Reinforcements	250
Dynasty Spas	Hot Tubs	250
Crescent Hosiery Mills	Hosiery	200
City of Etowah	Government	184
E&E Manufacturing	Metal Stamping and Fasteners	170
Mills Products	Appliance Trim Parts	160
JM Huber	Silica	130

Source: Tennessee Department of Economic and Community Development (2020), Times Free Press and the City.

EMPLOYMENT INFORMATION

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

For the month of November 2020, the unemployment rate for the Athens mSA and McMinn County stood at 5.0% with 23,485 persons employed out of a labor force of 24,730. As of November 2020, the unemployment rate in the Chattanooga-Cleveland-Dalton CSA stood at 4.4%, representing 551,191 persons employed out of a workforce of 576,333.

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

Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	5.3%	4.9%	4.4%	3.6%	3.9%
Tennessee	5.6%	4.7%	3.8%	3.5%	3.4%
Athens mSA & McMinn County	6.3%	5.4%	4.4%	4.1%	3.8%
Index vs. National	119	110	100	114	97
Index vs. State	113	115	116	117	112
Chattanooga-Cleveland- Athens CSA	5.6%	4.9%	4.0%	3.7%	3.5%
Index vs. National	106	100	91	103	90
Index vs. State	100	104	105	106	103

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

ECONOMIC DATA

Per Capita Personal Income

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
National	\$47,058	\$48,978	\$49,870	\$51,885	\$54,446
Tennessee	\$40,801	\$42,593	\$43,726	\$44,950	\$46,900
McMinn County	\$31,925	\$33,135	\$33,722	\$34,645	\$35,897
Index vs. National	68	68	68	67	66
Index vs. State	78	78	77	77	77
Chattanooga-Cleveland- Athens CSA	\$36,597	\$38,296	\$38,998	\$40,231	\$41,769
Index vs. National	78	78	78	78	77
Index vs. State	90	90	89	90	89

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

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Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>McMinn County</u>
Median Value Owner Occupied Housing	\$217,500	\$167,200	\$133,200
% High School Graduates or Higher Persons 25 Years Old and Older	85.2%	87.5%	84.5%
% Persons with Income Below Poverty Level	10.5%	13.9%	14.5%
Median Household Income	\$62,843	\$53,320	\$43,285

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

RECENT DEVELOPMENTS

DENSO Manufacturing. DENSO's McMinn County facility completed a \$190 million expansion to build a new 224,000 square foot facility in 2018 that resulted in 320 jobs. DENSO underwent a \$85 million expansion that was completed in mid-2017 and hired an additional 400 people.

Mayfield Dairy. The Mayfield Dairy facility in Athens, owned by Dean Foods, employed 50 new people in 2018 due to an increase in volume.

Source: Chattanooga Times Free Press, Knoxville News Sentinel and WBIR news, Knoxville, TN.

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McMINN COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

Hiwassee Utility Commission Supported Debt					(1) As of June 30, 2020
AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	OUTSTANDING	
\$ 5,555,000	General Obligation Refunding Bonds, Series 2015 (Hiwassee Supported)	June 2042	Fixed	5,015,000	
\$ 5,555,000	TOTAL BONDED DEBT			\$ 5,015,000	
\$ 4,965,000	General Obligation Refunding Bonds, Series 2021 (Hiwassee Supported)	May 2042	Fixed	4,965,000	
(5,555,000)	Less: Refunded Debt			(4,845,000)	
\$ 4,965,000	NET TOTAL DEBT			\$ 5,135,000	

B-7

NOTES:

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

McMINN COUNTY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

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

	For the Fiscal Year Ended June 30				After Issuance	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes *						
Hiwassee Supported Debt	5,655,000	5,495,000	5,340,000	5,180,000	5,015,000	5,135,000
TOTAL DEBT	\$ 5,655,000	\$ 5,495,000	\$ 5,340,000	\$ 5,180,000	\$ 5,015,000	\$ 5,135,000
Less: Debt Service Funds						
Less: Revenue Supported Debt	(5,655,000)	(5,495,000)	(5,340,000)	(5,180,000)	(5,015,000)	(5,135,000)
NET DIRECT DEBT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PROPERTY TAX BASE						
Estimated Actual Value	\$ 4,081,828,981	\$ 4,097,470,742	\$ 4,302,036,771	\$ 4,435,426,999	\$ 4,616,444,896	\$ 4,616,444,896
Appraised Value	3,963,047,758	3,978,234,343	4,037,891,713	4,435,426,999	4,616,444,896	4,616,444,896
Assessed Value	1,154,209,567	1,159,226,499	1,173,263,474	1,289,271,084	1,344,650,405	1,344,650,405

For the Fiscal Year Ended June 30

After Issuance

DEBT RATIOS	2016	2017	2018	2019	2020	2021
TOTAL DEBT to Estimated Actual Value	0.14%	0.13%	0.12%	0.12%	0.11%	0.11%
TOTAL DEBT to Appraised Value	0.14%	0.14%	0.13%	0.12%	0.11%	0.11%
TOTAL DEBT to Assessed Value	0.49%	0.47%	0.46%	0.40%	0.37%	0.38%
NET DIRECT DEBT to Estimated Actual Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NET DIRECT DEBT to Appraised Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NET DIRECT DEBT to Assessed Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

PER CAPITA RATIOS

POPULATION (1)	52,700	52,931	53,336	53,794	54,252	54,252
PER CAPITA PERSONAL INCOME (2)	\$33,722	\$34,645	\$35,897	\$35,897	\$35,897	\$35,897
Estimated Actual Value to POPULATION	\$77,454	\$77,412	\$80,659	\$82,452	\$85,093	\$85,093
Assessed Value to POPULATION	\$21,902	\$21,901	\$21,998	\$23,967	\$24,785	\$24,785
Total Debt to POPULATION	\$107	\$104	\$100	\$96	\$92	\$95
Net Direct Debt to POPULATION	\$0	\$0	\$0	\$0	\$0	\$0

Total Debt Per Capita as a percent of

PER CAPITA PERSONAL INCOME

Net Direct Debt Per Capita as a percent of

PER CAPITA PERSONAL INCOME

(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.

McMINN COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Hitwassee Utility Commission Debt

F.Y. Ended 6/30	As of June 30, 2020 Existing Debt G.O. Supported (1)		General Obligation Refunding, Bonds, Series 2020		Refunded or Prepaid Bonds		Total Bonded Debt Service Requirements (1)		% Principal Repaid All Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2021	\$ 170,000	\$ 152,469	\$ -	\$ -	\$ (175,000)	\$ (146,519)	\$ 170,000	\$ 152,469	3.31%	
2022	175,000	146,519	321,519	321,795	(180,000)	(143,019)	240,000	81,795	321,795	
2023	180,000	143,019	323,019	320,823	(185,000)	(139,419)	240,000	80,823	320,823	
2024	185,000	139,419	324,419	319,383	(185,000)	(135,719)	240,000	79,383	319,383	
2025	185,000	135,719	320,719	317,583	(190,000)	(132,019)	240,000	77,583	317,583	
2026	190,000	132,019	322,019	315,423	(200,000)	(122,394)	240,000	75,423	315,423	
2027	195,000	127,269	322,269	313,023	(205,000)	(117,144)	240,000	73,023	313,023	
2028	200,000	122,394	322,394	305,383	(210,000)	(111,506)	235,000	70,383	305,383	
2029	205,000	117,144	322,144	302,445	(215,000)	(105,206)	235,000	67,445	302,445	
2030	210,000	111,506	321,506	299,155	(220,000)	(100,000)	235,000	64,155	299,155	
2031	215,000	105,206	320,206	295,630	(225,000)	(98,756)	235,000	60,630	295,630	
2032	225,000	98,756	323,756	291,870	(230,000)	(91,725)	235,000	56,870	291,870	
2033	230,000	91,725	321,725	287,875	(240,000)	(84,538)	235,000	52,875	287,875	
2034	240,000	84,538	324,538	283,645	(245,000)	(76,738)	235,000	48,645	283,645	
2035	245,000	76,738	321,738	279,180	(250,000)	(68,775)	235,000	44,180	279,180	
2036	250,000	68,775	318,775	274,480	(265,000)	(60,025)	235,000	39,480	274,480	
2037	265,000	60,025	325,025	269,345	(270,000)	(50,750)	235,000	34,545	269,345	
2038	270,000	50,750	320,750	264,375	(280,000)	(41,300)	235,000	29,375	264,375	
2039	280,000	41,300	321,300	258,970	(290,000)	(31,500)	235,000	23,970	258,970	
2040	290,000	31,500	321,500	253,330	(300,000)	(21,350)	235,000	18,330	253,330	
2041	300,000	21,350	321,350	247,455	(310,000)	(10,850)	235,000	12,455	247,455	
2042	310,000	10,850	320,850	241,345	(310,000)	(10,850)	235,000	6,345	241,345	
	\$ 5,015,000	\$ 2,068,988	\$ 7,083,988	\$ 6,062,710	\$ (4,845,000)	\$ (1,916,519)	\$ 5,135,000	\$ 1,250,178	\$ 6,385,178	

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

(2) Estimated Interest Rates. Estimated Average Coupon 2.02%.

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, NET ASSETS AND RETAINED EARNINGS

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

	<u>For the Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<i>Governmental Funds:</i>					
General	\$ 7,705,733	\$ 7,365,388	\$ 6,912,713	\$ 7,579,990	\$ 8,130,735
Road & Bridge	2,385,789	2,772,216	3,706,355	2,123,758	1,545,814
Constitutional	267,397	298,478	403,799	518,907	462,381
Capital Projects	14,913,073	17,661,207	19,158,471	19,361,541	21,000,574
Woods Memorial Fund	4,132,798	4,145,763	4,231,363	4,296,568	4,327,129
Other Governmental	<u>406,691</u>	<u>343,341</u>	<u>321,686</u>	<u>281,774</u>	<u>257,774</u>
Total	<u>\$29,811,481</u>	<u>\$34,734,387</u>	<u>\$34,734,387</u>	<u>\$34,162,686</u>	<u>\$35,724,407</u>
<i>Proprietary Fund</i>					
Solid Waste Fund	\$(775,916)	\$(1,270,040)	\$(945,870)	\$(459,671)	\$222,523

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues:					
Local Taxes	\$ 6,670,984	\$ 7,020,757	\$ 8,045,495	\$ 9,401,983	\$ 9,697,117
Intergovernmental	2,832,652	2,804,721	2,707,329	2,555,391	2,312,100
Charges for current services	71,984	82,616	64,602	66,687	67,225
Fines, forfeitures and penalties	210,133	216,512	228,690	227,636	217,370
Investment Earnings	35,724	62,072	89,056	135,099	132,815
Miscellaneous	369,646	359,902	406,089	416,587	430,906
Total Revenues	<u>\$ 10,191,123</u>	<u>\$ 10,546,580</u>	<u>\$ 11,541,261</u>	<u>\$ 12,803,383</u>	<u>\$ 12,857,533</u>
Expenditures:					
General Government	\$ 4,530,481	\$ 4,802,687	\$ 5,797,432	\$ 5,439,640	\$ 5,815,200
Public Safety	5,927,946	6,285,915	6,560,289	7,045,232	7,466,388
Health	697,616	730,257	667,413	705,434	675,973
Social Services	7,532	6,272	6,270	6,270	6,272
Culture and Recreations	191,872	201,313	210,030	213,990	232,143
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Expenditures	<u>\$ 11,355,447</u>	<u>\$ 12,026,444</u>	<u>\$ 13,241,434</u>	<u>\$ 13,410,566</u>	<u>\$ 14,195,976</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,164,324)	\$ (1,479,864)	\$ (1,700,173)	\$ (607,183)	\$ (1,338,443)
Other Sources:					
Proceeds from Sale of Property	\$ -	\$ -	\$ 36,856	\$ -	\$ -
Insurance Recovery	-	-	-	-	-
Operating Transfers In	1,196,001	1,139,519	1,210,642	1,274,460	1,889,188
Operating Transfers Out	-	-	-	-	-
Total Revenues & Other Sources	<u>\$ 1,196,001</u>	<u>\$ 1,139,519</u>	<u>\$ 1,247,498</u>	<u>\$ 1,274,460</u>	<u>\$ 1,889,188</u>
Net Change in Fund Balances	\$ 31,677	\$ (340,345)	\$ (452,675)	\$ 667,277	\$ 550,745
Fund Balance July 1	7,674,056	7,705,733	7,365,388	6,912,713	7,579,990
Prior Period Adjustments	-	-	-	-	-
Fund Balance June 30	<u>\$ 7,705,733</u>	<u>\$ 7,365,388</u>	<u>\$ 6,912,713</u>	<u>\$ 7,579,990</u>	<u>\$ 8,130,735</u>

Source: Comprehensive Annual Financial Report for McMinn 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. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for all County investments.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

such property on January 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.

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Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utility Property	\$ 52,960,984	55%	\$ 121,216,882
Commercial/Industrial/Mineral	328,272,440	40%	820,681,100
Personal Tangible Property	268,681,156	30%	895,603,614
Residential, Farm and Open Space	<u>694,735,825</u>	25%	<u>2,778,943,300</u>
Totals	<u>\$1,344,650,405</u>		<u>\$4,616,444,896</u>

Source: 2019 Tax Aggregate Report of Tennessee.

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

The estimated assessed value of property in the County for the fiscal year ending June 30, 2020 (tax year 2019) is \$1,344,650,405 compared to \$1,289,271,084 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is \$4,616,444,896 compared to \$4,435,426,999 for tax year 2018.

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

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year ²	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2020	
						Amount	Pct
2016	\$1,159,226,499	\$1.6155	\$19,018,314	\$18,340,868	96.4%	N/A	
2017	1,173,263,474	1.6155	19,430,741	18,890,757	97.2%	N/A	
2018	1,289,271,084	1.5469	20,435,647	19,859,314	97.2%	N/A	
2019	1,344,650,405	1.5469	21,376,576	20,500,586	95.9%	\$954,536	4.5%
2020	1,297,678,712	1.5469	21,948,796	IN PROCESS			

Source: Tax Aggregate Reports of Tennessee and Comprehensive Annual Financial Report of McMinn County.

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

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

	<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Paid</u>
1.	Resolute	Paper Mill	\$1,742,062
2.	DENSO	Automotive	1,319,403
3.	Johns Manville/Schuller	Manufacturer	451,271
4.	Waupaca Foundry	Castings	300,020
5.	Evonik	Manufacturer	235,535
6.	E&E Manufacturing	Manufacturer	210,613
7.	Starr Regional Medical Center	Hospital	195,715
8.	Adient US LLC	Manufacturer	180,315
9.	ABB Installation	Manufacturer	169,876
10.	Dean Foods/Mayfield	Dairy Products	<u>149,404</u>
	TOTAL		<u>\$4,954,214</u>

Source: The County.

PENSION PLAN

Employees of McMinn County and non-certified employees of the discreetly presented McMinn County Schools with membership in the TCRS before January 1, 2014 are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS.

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

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**SUPPLEMENTAL INFORMATION STATEMENT
HIWASSEE UTILITY COMMISSION**

HIWASSEE UTILITIES COMMISSION

INTRODUCTION

The Hiwassee Utilities Commission (the “Commission”) consists primarily of office facilities; water procurement, treatment, storage, and distribution facilities. The Commission provides services consisting of the treatment and distribution of water to its customers through its Waterworks System. The Commission provides no other services to its customers.

HISTORY

The Commission was created on November 2, 1972, by agreement between the Bradley and McMinn Counties of Tennessee. The Counties jointly own and operate the Commission which is responsible for providing urban type public facilities and for the collection and disposition of the revenues from such facilities. Currently, the Commission provides water on a contract and demand basis to five (5) customers within Bradley and McMinn Counties.

LOCATION

The Commission operates within Bradley and McMinn Counties (the “Counties”). These Counties are located in the southeast portion of the State of Tennessee, in a valley between the Cumberland and Great Smoky Mountains. Bradley County is approximately 26 miles northeast of Chattanooga and 80 miles south of Knoxville, and McMinn County is located about 52 miles north from Chattanooga and 58 miles south from Knoxville.

ECONOMIC DEPENDENCY

Cleveland Utilities is the major source of revenue for Hiwassee Utilities Commission. Cleveland Utilities, Athens Utility Board, Calhoun-Charleston Utility District of McMinn and Bradley Counties, McMinn County and Riceville Utility District are under contract with Hiwassee Utilities Commission for a minimum commodity charge. If usage drops below the agreed level, the minimum charge must be paid as per the schedule on page 16 in the supplemental information to the Financial Statements.

Hiwassee Utilities Commission sells a substantial portion of its water to one customer. For years ending June 30, 2020 and 2019, sales to that customer totaled \$2,382,133 and \$2,326,073, respectively. At June 30, 2020 and 2019, amounts due from that customer included in trade accounts receivable were \$192,552 and \$188,844, respectively. The Cleveland Utilities Board contracted with Hiwassee Utilities Commission on June 22, 2006, under which the Water Division agreed to purchase an annual quantity of water equal to an average of 2,466,667 gallons of water per day. The contract language called for this minimum requirement to adjust to 5,335,000 gallons per day on July 1, 2008, due to improvements and an expansion to the HUC plant.

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THE BOARD OF COMMISSIONERS

The following is a list of the current members of the Board of Commissioners:

Doug Harrod, Chairman
Douglas Lecomte, Vice-Chairman
Joe Edwards, Treasurer
Joe Allen Secretary
Fred Murphy
Tony Steed

RATES

The current rates for the Commission (as of Fiscal Year Ending June 30, 2020) are as follows:

<u>Customer</u>	<u>Contract Demand Gallons / Day</u>	<u>Contract Quantity Gallons / Day</u>	<u>Demand Charge / MG</u>	<u>Commodity Charge / MG</u>
Athens	2,300,000	1,265,000	0.1500	1.0810
Calhoun - Charleston	500,000	275,000	0.1500	1.0810
Cleveland	9,700,000	5,335,000	0.1500	1.0810
McMinn County	500,000	0	0.1500	1.0810
Riceville	500,000	275,000	0.1500	1.0810

Source: Audited Financial Statements of the Commission.

OPERATING REVENUES

The following table sets forth for each of the fiscal years indicated gross operating revenues for the Waterworks System.

REVENUE (Fiscal Year Ended June 30)

<u>Customers</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Cleveland Utilities	\$2,309,611	\$2,307,930	\$2,093,398	\$2,326,073	\$2,382,133
Other Customers	<u>856,272</u>	<u>905,550</u>	<u>846,713</u>	<u>839,098</u>	<u>953,489</u>
TOTAL	\$3,165,883	\$3,213,480	\$2,940,111	\$3,165,171	\$3,335,622

Source: Audited Financial Statements of the Commission.

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SUMMARY OF OPERATIONS

The financial statements of the Commission for the year ended June 30, 2020 have been examined by Wedgewood Accounting, PLLC, Cleveland, Tennessee, independent accountants, whose report thereon appears herein.

HIWASSEE UTILITIES COMMISSION
SUMMARY OF BONDED INDEBTEDNESS

BONDED DEBT

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) OUTSTANDING
\$ 5,580,000	General Obligation Refunding Bonds, Series 2015 (Bradley County TN)	June 2042	Fixed	\$ 5,040,000
5,555,000	General Obligation Refunding Bonds, Series 2015 (McMinn County TN)	June 2042	Fixed	5,015,000
<u>\$ 11,135,000</u>	NET BONDED DEBT			<u>\$ 10,055,000</u>
\$ 4,985,000	General Obligation Refunding Bonds, Series 2021 (Bradley County TN)	June 2042	Fixed	\$ 4,985,000
4,965,000	General Obligation Refunding Bonds, Series 2021 (McMinn County TN)	June 2042	Fixed	4,965,000
(10,335,000)	Less: Refunded Bonds			(9,710,000)
<u>\$ 10,750,000</u>	TOTAL BONDED DEBT			<u>\$ 10,295,000</u>

NOTES:

(1) The Hiwassee Utilities Commission was created by Bradley County, Tennessee and McMinn County, Tennessee. For more information, see the Notes to the Financial Statements included herein.

HIWASSEE UTILITIES COMMISSION
BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended	Outstanding Water and Sewer Debt: as of June 30, 2020 (1)		Less: Refunded Debt		General Obligation Refunding Bonds, Series 2021 (Bradley County, TN)		General Obligation Refunding Bonds, Series 2021 (McMinn County, TN)		% 2021 Principal Repaid	Total Senior Revenue Bonded Debt Service Requirements		% All Principal Repaid	
	Principal	Interest	Principal	Interest	Principal	Interest (2)	Principal	Interest (3)		Principal	Interest		
2021	\$ 345,000	\$ 302,775	\$ 647,775	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ 345,000	\$ 302,775	\$ 647,775	3.35%
2022	355,000	291,138	646,138	(355,000)	(291,138)	82,081	322,081	81,795	0.00%	480,000	163,876	643,876	
2023	360,000	284,638	644,638	(360,000)	(284,638)	81,110	321,110	80,823		480,000	161,933	641,933	
2024	370,000	276,838	646,838	(370,000)	(276,838)	79,670	319,670	79,383		480,000	159,053	639,053	
2025	375,000	269,438	644,438	(375,000)	(269,438)	77,870	317,870	77,583		480,000	155,453	635,453	
2026	380,000	261,463	641,463	(380,000)	(261,463)	75,710	315,710	75,423	24.17%	480,000	151,133	631,133	26.66%
2027	390,000	252,300	642,300	(390,000)	(252,300)	73,310	313,310	73,023		480,000	146,333	626,333	
2028	400,000	242,694	642,694	(400,000)	(242,694)	70,670	310,670	70,383		475,000	141,053	616,053	
2029	410,000	232,194	642,194	(410,000)	(232,194)	67,670	307,670	67,445		475,000	135,115	610,115	
2030	420,000	221,175	641,175	(420,000)	(221,175)	64,310	304,310	64,155		475,000	128,465	603,465	
2031	435,000	208,575	643,575	(435,000)	(208,575)	60,710	300,710	60,630	47.94%	475,000	121,340	596,340	49.78%
2032	450,000	195,525	645,525	(450,000)	(195,525)	56,870	291,870	56,870		470,000	113,740	583,740	
2033	460,000	181,744	641,744	(460,000)	(181,744)	52,875	287,875	52,875		470,000	105,750	575,750	
2034	480,000	167,656	647,656	(480,000)	(167,656)	48,645	283,645	48,645		470,000	97,290	567,290	
2035	490,000	152,556	642,556	(490,000)	(152,556)	44,180	279,180	44,180		470,000	88,560	558,560	
2036	505,000	136,338	641,338	(505,000)	(136,338)	39,480	274,480	39,480	71.60%	470,000	78,960	548,960	72.61%
2037	530,000	119,381	649,381	(530,000)	(119,381)	34,545	269,545	34,545		470,000	69,090	539,090	
2038	540,000	101,163	641,163	(540,000)	(101,163)	29,375	264,375	29,375		470,000	58,750	528,750	
2039	560,000	82,600	642,600	(560,000)	(82,600)	23,970	258,970	23,970		470,000	47,940	517,940	
2040	580,000	63,000	643,000	(580,000)	(63,000)	18,330	253,330	18,330		470,000	36,660	506,660	
2041	600,000	42,700	642,700	(600,000)	(42,700)	12,455	247,455	12,455	95.27%	470,000	24,910	494,910	95.43%
2042	620,000	21,700	641,700	(620,000)	(21,700)	6,345	241,345	6,345	100.00%	470,000	12,690	482,690	100.00%
	\$ 10,055,000	\$ 4,107,088	\$ 14,162,088	\$ (9,710,000)	\$ (3,804,313)	\$ 1,100,181	\$ 6,085,181	\$ 1,097,710		\$ 10,295,000	\$ 2,500,666	\$ 12,795,666	

NOTES:

- (1) The Hiwassee Utilities Commission was created by Bradley County, Tennessee and McMinn County, Tennessee. For more information, see the Notes to the Financial Statements included herein.
- (2) Estimated Interest rates. Estimated Average Coupon of 2.02%.
- (3) Estimated Interest rates. Estimated Average Coupon of 2.02%.

**HIWASSEE UTILITIES COMMISSION
OF BRADLEY AND MCMINN COUNTIES, TENNESSEE**

Five Year Summary of Revenues, Expenditures and
Changes In Retained Earnings
For the Fiscal Year Ended June 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Revenues:					
Water Revenue	\$ 3,165,883	\$ 3,213,480	\$ 2,940,111	\$ 3,165,171	\$ 3,335,622
Total Operating Revenues	\$ 3,165,883	\$ 3,213,480	\$ 2,940,111	\$ 3,165,171	\$ 3,335,622
Operating Expenses:					
Contracted plant operations	\$ 376,942	\$ 379,522	\$ 384,030	\$ 370,387	\$ 446,597
Contracted plant overhead	229,972	271,914	234,212	224,723	271,172
Electricity	567,829	595,591	544,767	590,602	595,906
Lab supplies, analysis and reports	8,123	7,261	6,820	6,111	7,064
Chemicals	148,297	138,651	150,635	145,939	177,701
Sampling	11,182	13,761	12,965	11,950	15,002
Sludge disposal	163,335	39,124	82,321	54,667	103,705
Security and safety	6,109	6,600	4,125	8,201	1,313
Telephone and communications	12,962	14,645	14,624	12,579	15,145
Longevity pay	9,079	9,305	6,320	5,113	5,642
Property insurance	27,246	27,789	26,537	29,355	28,810
Other fees, permits and professional services	33,225	23,032	18,674	45,594	60,711
Office supplies and small equipment	4,231	18,150	3,037	4,824	4,479
Commission Expense	8,048	8,251	10,125	9,230	9,110
Salary - Office manager	33,865	34,881	35,932	37,011	38,129
Payroll taxes	2,692	2,583	3,459	4,145	3,130
Maintenance	357,595	347,089	317,445	390,421	379,596
Provision for depreciation and amortization	723,231	746,599	728,271	719,030	678,619
Total Operating Expenses	\$ 2,723,963	\$ 2,684,748	\$ 2,584,299	\$ 2,669,882	\$ 2,841,831
Net Operating Income (Loss)	\$ 441,920	\$ 528,732	\$ 355,812	\$ 495,289	\$ 493,791
Other Revenues (Expenses):					
Interest Expense	\$ (423,286)	\$ (347,578)	\$ (335,000)	\$ (325,119)	\$ (314,119)
Interest Income	6,507	8,300	9,430	13,934	19,459
Loss on Disposal of Assets	(173,665)	(127,231)	(399,583)	-	-
Refunding Bond Issuance Costs	(275,793)	-	-	-	-
Bond Premium Amortization	5,019	4,610	4,610	4,610	4,610
Total Other Revenue	\$ (861,218)	\$ (461,899)	\$ (720,543)	\$ (306,575)	\$ (290,050)
Change in Net Position	\$ (419,298)	\$ (461,899)	\$ (720,543)	\$ (306,575)	\$ (290,050)
Increase in Net Assets	\$ 22,622	\$ 66,833	\$ (364,731)	\$ 188,714	\$ 203,741
Net Assets, Beginning of Year, as Restated	5,248,544	4,829,246	4,896,079	4,531,348	4,720,062
Adjustments	(441,920)	-	-	-	-
Net Assets, End of Year	\$ 4,829,246	\$ 4,896,079	\$ 4,531,348	\$ 4,720,062	\$ 4,923,803

Source: Comprehensive Annual Financial Report for the Hiwassee Utilities Commission of Bradley and McMinn Counties, Tennessee

**HIWASSEE UTILITIES COMMISSION
OF BRADLEY AND MCMINN COUNTIES, TENNESSEE**

Historical Debt Service Coverage
For the Fiscal Year Ended June 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Revenue	\$ 3,165,883	\$ 3,213,480	\$ 2,940,111	\$ 3,165,171	\$ 3,335,622
Operating Expenses	<u>\$ (2,723,963)</u>	<u>\$ (2,684,748)</u>	<u>\$ (2,584,299)</u>	<u>\$ (2,669,882)</u>	<u>\$ (2,841,831)</u>
Net Operating Revenue	\$ 441,920	\$ 528,732	\$ 355,812	\$ 495,289	\$ 493,791
Add: Depreciation & Amortization	\$ 723,231	\$ 746,599	\$ 728,271	\$ 719,030	\$ 678,619
Add: Other Income	\$ 6,507	\$ 8,300	\$ 9,430	\$ 13,934	\$ 19,459
Income Available For Debt Service	<u><u>\$ 1,171,658</u></u>	<u><u>\$ 1,283,631</u></u>	<u><u>\$ 1,093,513</u></u>	<u><u>\$ 1,228,253</u></u>	<u><u>\$ 1,191,869</u></u>
Maximum Debt Service Requirements on All Bonds (2021)	647,775	647,775	647,775	647,775	647,775
Bond Coverage	1.81 x	1.98 x	1.69 x	1.90 x	1.84 x

Source: Annual Audit Reports for the District

GENERAL PURPOSE FINANCIAL STATEMENTS
OF
MCMINN COUNTY, TENNESSEE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

McMINN COUNTY, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2020



CERTIFIED PUBLIC ACCOUNTANTS

McMINN COUNTY, TENNESSEE

Annual Financial Report Table of Contents

	Page Numbers
<i>Introductory Section</i>	
Roster of County Officials	I – 1
<i>Financial Section</i>	
Independent Auditor's Report	i
Management's Discussion and Analysis (unaudited)	iv
Basic Financial Statements	
Statement of Net Position	A – 1
Statement of Activities	A – 3
Balance Sheet – Governmental Funds	A – 5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A – 7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A – 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A – 10
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – GAAP Basis – General Fund	A – 11
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund	A – 12
Statement of Net Position – Proprietary Fund	A – 13
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	A – 14
Statement of Cash Flows – Proprietary Fund	A – 15
Statement of Net Position – Fiduciary Funds	A – 16
Notes to Financial Statements	A – 17
<i>Required Supplementary Information (unaudited) Other than MD&A</i>	
Schedule of Changes in McMinn County's Net Pension Liability (Asset) and Related Ratios Based on Participation	B – 1
Schedule of McMinn County's Contributions Based on Participation in the Public Employee Pension Plan of TCRS	B – 2
Notes to Pension Schedule – McMinn County	B – 3
Schedule of McMinn County Schools' Proportionate Share of the Net Pension Asset Teacher Legacy Pension Plan of TCRS	B – 4
Schedule of McMinn County Schools' Contributions Teacher Legacy Plan of TCRS	B – 5
Schedule of McMinn County Schools' Proportionate Share of the Net Pension Liability (Asset) Teacher Retirement Plan of TCRS	B – 6
Schedule of McMinn County Schools' Contributions Teacher Retirement Plan of TCRS	B – 7
Schedule of Changes in McMinn County's Total OPEB Liability and Related Ratios	B – 8
Schedule of Changes in McMinn County's Board of Education Total OPEB Liability and Related Ratios	B – 9
Schedule of Changes in McMinn County's Board of Education - TGOP Total Liability OPEB Liability and Related Ratios	B – 10

Other Supplementary Information

Budgetary Comparison Schedule – General Fund Detail C – 1

Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds C – 4

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds C – 6

Combining Balance Sheet – Constitutional Officers Major Governmental Funds C – 8

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Constitutional Officers Major Governmental Funds C – 10

Combining Schedule of Cash Receipts, Disbursements and Balances – Constitutional Officers
Fee and Commission Accounts C – 12

Fiduciary Funds

Combining Schedule of Changes in Assets and Liabilities – Agency Funds C – 14

Combining Schedule of Cash Receipts, Disbursements and Balances – Constitutional Officers
Agency Funds C – 17

Budgetary Comparison Schedules

Budgetary Comparison Schedules – Special Revenue Nonmajor Governmental Funds C – 19

Discretely Presented Component Unit – Board of Education

Combining Balance Sheet – Board of Education Governmental Funds D – 1

Reconciliation of the Balance Sheet of Board of Education Governmental Funds to the
Statement of Net Position D – 2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Board
of Education Governmental Funds D – 3

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Board of Education Governmental Funds to the Statement of Activities D – 4

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Board of Education Governmental Funds D – 5

Financial Schedules

Schedule of Property Taxes Receivable E – 1

Schedule of Investments by Fund E – 2

Combining Schedule of Cash Receipts, Disbursements and Balances –
Equity in Pooled Cash and Investments with Trustee E – 3

Schedule of Salaries and Official Bonds of Principal Officials E – 5

Schedule of Tax Rates and Assessments E – 6

Single Audit Section

Schedule of Expenditures of Federal and State Awards F – 1

Notes to Schedule of Expenditures of Federal and State Awards F – 4

Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* F – 5

Independent Auditor’s Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance in Accordance with
the Uniform Guidance F – 7

Schedule of Findings and Questioned Costs F – 9

Schedule of Prior Audit Findings F – 10

McMINN COUNTY, TENNESSEE

ROSTER OF COUNTY OFFICIALS

June 30, 2020

County Mayor
Director of Finance
Commissioner of Highways
Administrator of Schools
Trustee
Assessor of Property

John Gentry
Jason Luallen
Dan Evans
Lee Parkison
Phil Tuggle
Keith Price

Members of the County Commission:

Brent Carter
David Crews, Chairman
Scott Curtis
Dale Holbrook
Tim King
Roger Masingale
Jerry Milsaps
Charles Slack
J.W. McPhail
Tad Simpson

Members of the County Commission Audit Committee:

Scott Curtis
Tad Simpson
J.W. McPhail
Tim King
Dale Holbrook

Constitutional Officers:

Circuit, General Sessions and Probate
Courts Clerk
Clerk and Master
County Clerk
Register of Deeds
Sheriff

Rhonda J. Cooley
Patty S. Gaines
Melinda King
Cheryl Ingram
Joe D. Guy

McMINN COUNTY, TENNESSEE

ROSTER OF COUNTY OFFICIALS

June 30, 2020

Members of the County Board of Education:

Quinten Howard
Sharon Brown, Chairperson
Donna Cagle
Rob Shamblin
Mike Cochran
Bill Irvin
Denise Cunningham
Donna Maxwell
Mike Lowry
Tony Allman

Members of the McMinn County Emergency Communications District:

Mike Jones, Chairman
Mark Lowry
Richard Brogan
Harold Masengil
David Crews
Ronald Hall
Russell Duggan
David St. John



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and the
Board of Commissioners
McMinn County, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee (the County) as of and for the year ended June 30, 2020, 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 McMinn County Emergency Communications District ("E-911 District"), a discretely presented component unit, which represents 6.9% of the assets and 3.05% of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McMinn County Emergency Communications District, a discretely presented component unit, is based 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and road and bridge fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through x and the required supplementary information on pages B-1 through B-10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McMinn County's basic financial statements. The introductory section, budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information and schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information, and schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Chattanooga, Tennessee
January 18, 2021

Henderson Hutcherson
is McCullough, PLLC

Management's Discussion and Analysis

As management of the McMinn County Government, we offer readers of the McMinn County Government's financial statements this narrative overview and analysis of the financial activities of the McMinn County Government for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented in this report.

Financial Highlights

Primary Government

- The assets of the McMinn County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$102,604,526 (net position).
- The total net position of the McMinn County Primary Government increased by \$2,070,944 or 7.88% of 2020 expenses, which totaled \$26,289,436.
- At the close of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$35,670,541, an increase of \$1,507,359 in comparison with the prior year. Approximately 8.42% of this total amount, \$3,005,063 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,005,063, or 21.17%, of the total general fund expenditures. This demonstrates the County's fiscal discipline and positions the County well to meet unexpected emergencies, temporary cash needs and other uncertainties the County faces in the normal course of everyday operations.
- McMinn County Government general fund revenue sources, including transfers, were \$159,481 less than budgeted. The two largest factors in this variance were \$425,951 received in tax revenues more than budgeted and \$735,965 deficit in intergovernmental revenues.

Component Unit, McMinn County Board of Education

- Governmental fund assets of the McMinn County Board of Education, a component unit, exceeded its liabilities at the close of the most recent fiscal year by \$6,905,555. Of this amount, \$4,437,377 (unassigned fund balance) may be used to meet the ongoing obligations of the McMinn County Board of Education, subject to the restrictions imposed by the State of Tennessee. In addition, the Statement of Net Position shows an investment of \$26,516,756 in capital assets of the Board.
- The McMinn County Board of Education's net position decreased by \$598,155. The decrease is attributed to the disposition of capital assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the McMinn County Government's basic financial statements. The McMinn County Government's basic financial statements encompass three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the McMinn County Government's assets and liabilities, with the difference between the two 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 McMinn County Government is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash 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 McMinn County Government 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 McMinn County Government include general government, public safety, public works, health and welfare, economic development, and culture and recreation. The government-wide financial statements also include the business-type activity of the McMinn County Government, a solid waste disposal operation (landfill).

The government-wide financial statements include not only the McMinn County Government itself (known as the *primary government*), but also a legally separate school district for which the McMinn County Government is financially accountable. The activities of the McMinn County Board of Education, a component unit, are governmental in nature. Financial information for the McMinn County Board of Education is reported separately from the financial information presented for the primary government itself. The McMinn County Board of Education does not issue separate financial statements.

Also included in the government-wide financial statements are the activities of the Emergency Communications District, a component unit for which the County is financially accountable, but which issues its own financial statements. The government-wide financial statements can be found on pages A-1 through A-4 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *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*.

The McMinn County Government maintains nine 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 Fund, Road and Bridge Fund, Constitutional Officers Fund, Capital Projects Fund, and Woods Memorial Permanent Fund all of which are considered to be major funds.

Data from the other four 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.

The McMinn County Government adopts an annual appropriated budget for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages A-5 through A-12 of this report.

Proprietary funds. Services for which the McMinn County Government charges customers a fee are generally reported in proprietary funds. The McMinn County Government maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The McMinn County Government uses an enterprise fund to account for its solid waste operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages A-13 through A-15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the McMinn County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page A-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages A-17 through A-56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Management's Discussion and Analysis is included on pages iv through x, and McMinn County Government's progress in funding its obligation to provide pension benefits to its employees can be found on page B-1 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages C-4 through C-7 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as useful indicator of a government's financial position. In the case of the McMinn County Government, assets exceeded liabilities by \$102,881,406 at the close of the most recent fiscal year. A summary version of the Statement of Net Position at June 30, 2020 is as follows:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 53,042,946	\$ 47,611,577	\$ 3,491,675	\$ 2,630,762	\$ 56,534,621	\$ 50,242,339
Capital Assets	<u>64,432,555</u>	<u>66,823,262</u>	<u>3,246,997</u>	<u>3,393,484</u>	<u>67,679,552</u>	<u>70,216,746</u>
Total Assets	<u>117,475,501</u>	<u>114,434,839</u>	<u>6,738,672</u>	<u>6,024,246</u>	<u>124,214,173</u>	<u>120,459,085</u>
Deferred Pension Outflows	<u>513,942</u>	<u>706,626</u>	<u>21,273</u>	<u>21,579</u>	<u>535,215</u>	<u>728,205</u>
Other Liabilities	781,069	706,986	8,445	18,374	789,514	725,360
Long-Term Liabilities	<u>375,555</u>	<u>357,048</u>	<u>6,487,215</u>	<u>6,460,659</u>	<u>6,862,770</u>	<u>6,817,707</u>
Total Liabilities	<u>1,156,624</u>	<u>1,064,034</u>	<u>6,495,660</u>	<u>6,479,033</u>	<u>7,652,284</u>	<u>7,543,067</u>
Deferred Inflows of Resources	<u>14,228,293</u>	<u>12,334,488</u>	<u>41,762</u>	<u>26,463</u>	<u>14,270,055</u>	<u>12,360,951</u>
Net Position:						
Net Investment in Capital						
Assets	64,432,555	64,062,492	3,246,997	3,303,395	67,679,552	67,365,887
Restricted	10,317,886	11,922,856	87,909	85,205	10,405,795	12,008,061
Unrestricted	<u>27,854,085</u>	<u>25,757,595</u>	<u>(3,112,383)</u>	<u>(3,848,271)</u>	<u>24,741,702</u>	<u>21,909,324</u>
Total Net Position	<u>\$102,604,526</u>	<u>\$101,742,943</u>	<u>\$ 222,523</u>	<u>\$ (459,671)</u>	<u>\$ 102,827,049</u>	<u>\$ 101,283,272</u>

The investment in capital assets of the McMinn County Government (e.g., land, buildings, infrastructure, machinery, and equipment) accounts for 66% of total net position. These capital assets are used to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the McMinn County Primary Government's net position (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$24,741,702 may be used to meet the government's ongoing obligations to citizens. For additional discussion on the assignment of fund balance please see the discussion under Financial Analysis of the Government's Funds, beginning on page viii.

The Primary Government's net position increased by \$2,070,944 during the current fiscal year.

Governmental activities. Governmental activities increased the McMinn County Government's net position by \$1,388,750. A summary version of the Statement of Activities is as follows:

McMinn County, Tennessee						
Change in Net Position						
For the Fiscal Year Ended June 30, 2020						
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Charges for services	\$ 3,934,285	\$ 3,741,604	\$ 1,664,727	\$ 1,418,386	\$ 5,599,012	\$ 5,159,990
Operating grants and contributions	5,869,375	6,446,931	-	43,050	5,869,375	6,489,981
General revenues:						
Taxes	15,373,049	15,152,936	-	-	15,373,049	15,152,936
Investment earnings	507,817	629,671	45,803	43,451	553,620	673,122
Miscellaneous	906,481	869,035	58,843	17,344	965,324	886,379
Total revenues	<u>26,591,007</u>	<u>26,840,177</u>	<u>1,769,373</u>	<u>1,522,231</u>	<u>28,360,380</u>	<u>28,362,408</u>
Expenses:						
General government	10,573,502	9,439,002	-	-	10,573,502	9,439,002
Public safety	7,538,835	7,128,207	-	-	7,538,835	7,128,207
Health	679,145	708,606	-	-	679,145	708,606
Social services	6,272	6,270	-	-	6,272	6,270
Culture and recreation	232,143	213,990	-	-	232,143	213,990
Public works/roads and bridges	6,172,360	5,333,321	-	-	6,172,360	5,333,321
Solid waste	-	-	1,087,179	1,036,032	1,087,179	1,036,032
Total expenses	<u>25,202,257</u>	<u>22,829,396</u>	<u>1,087,179</u>	<u>1,036,032</u>	<u>26,289,436</u>	<u>23,865,428</u>
Increase (decrease) in net position	1,388,750	4,010,781	682,194	486,199	2,070,944	4,496,980
Net position, beginning	<u>101,215,776</u>	<u>97,752,162</u>	<u>(459,671)</u>	<u>(945,870)</u>	<u>100,756,105</u>	<u>96,806,292</u>
Net position, ending	<u>\$102,604,526</u>	<u>\$101,762,943</u>	<u>\$ 222,523</u>	<u>\$ (459,671)</u>	<u>\$102,827,049</u>	<u>\$101,303,272</u>

As shown in the table, General Government, Public Works, and Public Safety were the three largest governmental activities for this fiscal year, 43%, 24%, and 29%, respectively, of total governmental activities expense.

The McMinn County's tax levy of \$1.5469 on each hundred dollars of assessed taxable property provides revenues for the operation of the County. McMinn County Government maintained the tax rate this fiscal year from the previous year. The 2020-2021 fiscal year budget was balanced by approving a tax rate of \$1.5469 due to the assessed value of property decreasing through the reappraisal process. Revenues are required to remain the same for existing property as a result of reappraisal.

Business-type activities. Operating revenues for the Solid Waste Disposal Fund increased 16% over the prior year. Operating expenses increased by \$51,147, or 5%. The resulting change in net position for the solid waste operation was an increase of \$682,194. This change in net position was an increase of \$195,995 from the previous fiscal year. The change is primarily related to the accounting of the closure and post-closure care costs.

Financial Analysis of the Government's Funds

As noted earlier, the McMinn County Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$35,670,045, an increase of \$1,507,359 in comparison with the prior year. Approximately 24% or \$8,578,576 is restricted due to internal or external limitations on its use. Approximately, 68% or \$24,086,902 has been committed, assigned or nonspendable meaning there are limitations resulting from its intended use. The remaining 8% of fund balance, or \$3,005,063, is unassigned.

The general fund is the chief operating fund of the McMinn County Government. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,005,063, while total fund balance was \$8,076,373. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21% of total general fund expenditures, while total fund balance represents 57% of that same amount.

The fund balance of the McMinn County Government's general fund increased by \$496,383 during the current fiscal year. The largest factor in the increase can be mainly attributed to local revenue growth received above the last year's amount.

Proprietary funds. The McMinn County Government's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net deficit of the solid waste operation at the end of the year amounted to (\$3,112,383). The total change in net position for the solid waste operation was an increase of \$682,194. Other factors concerning the finances of this fund have already been addressed in the discussion of the McMinn County Government's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget were within the normal course of County business; the increase totaling approximately \$458,000 in appropriations.

The primary differences can be summarized briefly as follows:

1. An increase of \$98,000 for additional Sheriff Deputy positions and an additional School Resource officer.
2. An increase of \$120,000 for overage in Jail operational expenses.
3. An increase of \$50,000 for equipment and communications purchases.
4. An increase of \$223,000 for purchase of land and Eureka Trail improvements.
5. An increase of \$695,000 for employee health insurance claims over premiums.
6. An increase of \$100,000 for COVID related expenses.

Capital Asset Administration

Capital assets. The McMinn County Government's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$67,679,552 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure (roads and bridges).

The total increase in the McMinn County Government's net investment in capital assets for the current year was \$313,668 or 0.47%. The largest factor contributing to the increase was the addition to capital assets related to the Bi-Centennial Park improvements.

McMinn County, Tennessee Capital Assets (net of depreciation) June 30, 2020 Primary Government

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,359,328	\$ 3,132,108	\$ 438,950	\$ 438,950	\$ 3,798,278	\$ 3,571,058
Construction in progress	565,925	2,931,746	-	-	565,925	2,931,746
Infrastructure	37,627,213	34,674,939	2,335,358	2,337,678	39,962,571	37,012,617
Buildings	19,069,573	19,796,865	1,216	1,447	19,070,789	19,798,312
Other fixed assets	3,810,516	3,526,834	471,473	525,320	4,281,989	4,052,154
Total	<u>\$ 64,432,555</u>	<u>\$ 64,062,492</u>	<u>\$ 3,246,997</u>	<u>\$ 3,303,395</u>	<u>\$ 67,679,552</u>	<u>\$ 67,365,887</u>

McMinn County, Tennessee Change in Capital Assets For the Fiscal Year-End June 30, 2020 Primary Government

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Beginning balance	\$ 141,797,879	\$ 135,032,068	\$ 9,624,729	\$ 9,582,647	\$ 151,422,608	\$ 144,614,715
Additions	7,415,181	7,922,570	18,424	201,082	7,433,605	8,123,652
Deletions	<u>(3,698,077)</u>	<u>(1,156,759)</u>	<u>-</u>	<u>(159,000)</u>	<u>(3,698,077)</u>	<u>(1,315,759)</u>
Balance before depreciation	145,514,983	141,797,879	9,643,153	9,624,729	155,158,136	151,422,608
Accumulated depreciation	<u>(81,082,428)</u>	<u>(77,735,387)</u>	<u>(6,396,156)</u>	<u>(6,321,334)</u>	<u>(87,478,584)</u>	<u>(84,056,721)</u>
Balance after depreciation	<u>\$ 64,432,555</u>	<u>\$ 64,062,492</u>	<u>\$ 3,246,997</u>	<u>\$ 3,303,395</u>	<u>\$ 67,679,552</u>	<u>\$ 67,365,887</u>

Additional information on the McMinn County Government's capital assets can be found in Note G of this report on page A-31.

Long-Term Debt At the end of the current fiscal year, the McMinn County Government had no long-term debt outstanding.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for McMinn County at the end of this fiscal year was 9.8%, (not seasonally adjusted), which is an increase from 4.6% at the end of fiscal year 2020. The county's unemployment rate is higher than the state rate for June 2020, 7.40%, (seasonally adjusted); and also, lower than the national rate, 11.1%, (seasonally adjusted), for the same period.
- To help lower the unemployment rate and to help improve the county's economic activity, the McMinn County Government continually seeks to spur growth of industry in McMinn County. The efforts of the McMinn County Government along with the McMinn County Economic Development Authority to help the growth of existing industries include providing information about available industrial properties, by providing the demographics of the County to interested parties and providing information regarding available continuing education and training.
- These factors were considered in preparing the McMinn County Government's budget for the 2020-2021 fiscal year.

During the current year, unassigned fund balance in the general fund increased to \$3,013,342. The McMinn County Government's budget for the 2020-2021 fiscal year was balanced by appropriating \$2,948,435 of the unassigned fund balance. It is the normal, conservative nature of County operations to spend less than is allowed through the adopted budget. Conservative revenue projections and conservative spending have long been strengths of McMinn County's operations.

Requests for Information

This financial report is designed to provide a general overview of the McMinn County Government's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Director of Finance
McMinn County Courthouse
6 East Madison Avenue
Athens, TN 37303

McMINN COUNTY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 462,381	\$ 400	\$ 462,781
Equity in pooled cash and investments	34,358,423	3,214,617	37,573,040
Restricted cash	45,269	-	45,269
Receivables, net of allowance for uncollectible	15,510,251	168,260	15,678,511
Due from primary government	-	-	-
Inventories	23,712	-	23,712
Net pension asset	2,642,910	108,398	2,751,308
Restricted assets:			
Amounts accumulated for pension benefits	-	-	-
Land and other nondepreciable assets	3,925,253	438,950	4,364,203
Other capital assets, net of accumulated depreciation	<u>60,507,302</u>	<u>2,808,047</u>	<u>63,315,349</u>
Total assets	<u>117,475,501</u>	<u>6,738,672</u>	<u>124,214,173</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension changes in assumptions	182,389	12,052	194,441
Change in proportion of net pension liability (asset)	-	-	-
Pension contributions after measurement date	292,553	9,221	301,774
OPEB change in assumptions	-	-	-
OPEB deferred contributions	<u>39,000</u>	<u>-</u>	<u>39,000</u>
Total deferred outflows of resources	<u>513,942</u>	<u>21,273</u>	<u>535,215</u>
LIABILITIES			
Accounts payable and accrued expenses	413,683	8,445	422,128
Due to primary government	-	-	-
Total OPEB liability	367,386	-	367,386
Net pension liability	-	-	-
Long-term liabilities:			
Due in less than one year	375,555	-	375,555
Due in more than one year	<u>-</u>	<u>6,487,215</u>	<u>6,487,215</u>
Total liabilities	<u>1,156,624</u>	<u>6,495,660</u>	<u>7,652,284</u>
DEFERRED INFLOW OF RESOURCES			
Pension changes in experience	714,484	32,108	746,592
Pension changes in investment earnings	410,505	9,654	420,159
Pension change in proportion of net liability (asset)	-	-	-
OPEB changes in experience	-	-	-
OPEB changes in assumptions	5,372	-	5,372
Unavailable revenue - property taxes	<u>13,097,932</u>	<u>-</u>	<u>13,097,932</u>
Total deferred inflows of resources	<u>14,228,293</u>	<u>41,762</u>	<u>14,270,055</u>
NET POSITION			
Investment in capital assets	64,432,555	3,246,997	67,679,552
Assigned	-	-	-
Committed	-	-	-
Restricted for:			
General	6,297	-	6,297
Road and bridges	1,545,814	-	1,545,814
Constitutional officers	462,381	-	462,381
Pension	1,517,921	66,636	1,584,557
Permanent endowment:			
Expendable	1,232,963	-	1,232,963
Nonexpendable	3,094,167	-	3,094,167
Other uses	2,236,954	-	2,236,954
Unrestricted	<u>28,075,474</u>	<u>(3,091,110)</u>	<u>24,984,364</u>
Total net position	<u>\$ 102,604,526</u>	<u>\$ 222,523</u>	<u>\$ 102,827,049</u>

The Notes to Basic Financial Statements are an integral part of this statement.

Component Units	
McMinn County Board of Education	McMinn County Emergency Communications
\$ -	\$ -
5,889,109	1,595,517
-	-
8,652,930	22,080
401,253	-
-	-
8,426,340	-
188,225	-
990,892	185,557
<u>25,525,864</u>	<u>1,911,013</u>
<u>50,074,613</u>	<u>3,714,167</u>
904,407	-
-	558,032
2,313,587	-
-	2,600
187,440	-
<u>3,405,434</u>	<u>560,632</u>
717,626	32,393
-	95
6,047,506	31,909
-	329,818
594,264	-
-	-
<u>7,359,396</u>	<u>394,215</u>
3,734,382	7,792
1,928,622	-
40,487	-
780,306	-
407,117	522
<u>7,016,681</u>	<u>-</u>
<u>13,907,595</u>	<u>8,314</u>
26,516,756	2,096,570
179,118	-
275,000	-
-	-
-	-
-	-
3,627,256	-
-	-
-	-
2,014,060	-
(399,134)	1,775,700
<u>\$ 32,213,056</u>	<u>\$ 3,872,270</u>

McMINN COUNTY, TENNESSEE

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Government activities:				
General government	\$ 10,573,502	\$ 3,580,035	\$ 2,641,983	\$ -
Public safety	7,538,835	354,250	-	-
Health	679,145	-	-	-
Social services	6,272	-	-	-
Culture and recreation	232,143	-	-	-
Roads and bridges	6,172,360	-	3,227,392	-
Total governmental activities	25,202,257	3,934,285	5,869,375	-
Business-type activities:				
Solid waste disposal	1,087,179	1,664,727	-	-
TOTAL PRIMARY GOVERNMENT	\$ 26,289,436	\$ 5,599,012	\$ 5,869,375	\$ -
Component units:				
Education	\$ 50,116,535	\$ 405,718	\$ 37,068,074	\$ -
Emergency communications	1,601,651	642,500	829,906	-
TOTAL COMPONENT UNITS	\$ 51,718,186	\$ 1,048,218	\$ 37,897,980	\$ -
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Hotel/Motel taxes				
Other taxes				
Miscellaneous				
Unrestricted investment earnings				
Total general revenues				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

The Notes to Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenues and
Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	McMinn County Board of Education	McMinn County Emergency Communications
\$ (4,351,484)		\$ (4,351,484)		
(7,184,585)		(7,184,585)		
(679,145)		(679,145)		
(6,272)		(6,272)		
(232,143)		(232,143)		
(2,944,968)		(2,944,968)		
<u>(15,398,597)</u>		<u>(15,398,597)</u>		
	\$ 577,548	577,548		
<u>(15,398,597)</u>	<u>577,548</u>	<u>(14,821,049)</u>		
			\$ (12,642,743)	\$ -
			<u>-</u>	<u>(129,245)</u>
			<u>(12,642,743)</u>	<u>(129,245)</u>
12,597,468	-	12,597,468	11,889,602	-
820,969	-	820,969	-	-
368,855	-	368,855	-	-
427,562	-	427,562	-	-
1,158,195	-	1,158,195	-	-
906,481	58,843	965,324	259,124	64,200
507,817	45,803	553,620	-	21,840
<u>16,787,347</u>	<u>104,646</u>	<u>16,891,993</u>	<u>12,148,726</u>	<u>86,040</u>
1,388,750	682,194	2,070,944	(494,017)	(43,205)
<u>101,215,776</u>	<u>(459,671)</u>	<u>100,756,105</u>	<u>32,707,073</u>	<u>3,915,475</u>
<u>\$ 102,604,526</u>	<u>\$ 222,523</u>	<u>\$ 102,827,049</u>	<u>\$ 32,213,056</u>	<u>\$ 3,872,270</u>

McMINN COUNTY, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2020

	<u>General</u>	<u>Road and Bridge</u>	<u>Constitutional Officers</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 462,381
Equity in pooled cash and investments	7,284,190	1,179,986	-
Restricted cash	45,269	-	-
Receivables, net of allowance for uncollectibles	8,473,629	2,258,921	-
Due from other funds	1,971	-	-
Inventories	<u>23,712</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 15,828,771</u>	<u>\$ 3,438,907</u>	<u>\$ 462,381</u>
LIABILITIES			
Accounts payable	\$ 187,770	\$ 108,769	\$ -
Accrued items and other	<u>54,593</u>	<u>156</u>	<u>-</u>
Total liabilities	<u>242,363</u>	<u>108,925</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	<u>7,510,035</u>	<u>1,784,168</u>	<u>-</u>
Total deferred inflow of resources	<u>7,510,035</u>	<u>1,784,168</u>	<u>-</u>
Fund balances:			
Nonspendable	23,712	-	-
Assigned	3,062,121	-	-
Restricted for:			
General government	6,297	-	-
Alcohol and drug treatment	393,240	-	-
Sexual offender registration	63,412	-	-
Hotel/Motel tax	1,169,620	-	-
Road and bridges	-	1,545,814	-
Constitutional officers	-	-	462,381
Permanent Endowment			
Expendable	-	-	-
Nonexpendable	-	-	-
Other restricted activities	352,908	-	-
Unassigned	<u>3,013,342</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,084,652</u>	<u>1,545,814</u>	<u>462,381</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,837,050</u>	<u>\$ 3,438,907</u>	<u>\$ 462,381</u>

The Notes to Basic Financial Statements are an integral part of this statement.

Capital Projects	Woods Memorial Permanent Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 462,381
20,919,162	4,327,130	256,397	33,966,865
-	-	-	45,269
3,900,488	-	2,842	14,635,880
-	-	-	1,971
-	-	-	23,712
<u>\$ 24,819,650</u>	<u>\$ 4,327,130</u>	<u>\$ 259,239</u>	<u>\$ 49,136,078</u>
\$ 14,852	\$ -	\$ -	\$ 311,391
-	-	1,465	56,214
<u>14,852</u>	<u>-</u>	<u>1,465</u>	<u>367,605</u>
<u>3,803,729</u>	<u>-</u>	<u>-</u>	<u>13,097,932</u>
<u>3,803,729</u>	<u>-</u>	<u>-</u>	<u>13,097,932</u>
-	-	-	23,712
21,001,069	-	-	24,063,190
-	-	-	6,297
-	-	-	393,240
-	-	-	63,412
-	-	-	1,169,620
-	-	-	1,545,814
-	-	-	462,381
-	1,232,963	-	1,232,963
-	3,094,167	-	3,094,167
-	-	257,774	610,682
-	-	-	3,013,342
<u>21,001,069</u>	<u>4,327,130</u>	<u>257,774</u>	<u>35,678,820</u>
<u>\$ 24,819,650</u>	<u>\$ 4,327,130</u>	<u>\$ 259,239</u>	<u>\$ 49,144,357</u>

McMINN COUNTY, TENNESSEE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2020

Differences in amounts reported for governmental activities in the statement of net position page A-1:

Fund balances - total governmental funds	\$ 35,678,820
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,432,555
The net pension asset is considered a long-term asset and, therefore, not reported in the funds.	2,642,910
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	474,942
Deferred results and contributions to OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	39,000
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	826,322
The internal service fund is used by management to charge costs of medical and dental insurance to individuals. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position	391,558
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities.	
Total OPEB liability	(367,386)
Compensated absences	(375,555)
Certain amounts related to the total OPEB liability are deferred amortized over time. The items are not reported in the funds.	(5,372)
Certain amounts related to the net pension asset are deferred amortized over time. The items are not reported in the funds.	<u>(1,124,989)</u>
Net position of governmental activities	<u>\$102,612,805</u>

The Notes to Basic Financial Statements are an integral part of this statement.

McMINN COUNTY, TENNESSEE

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

Year ended June 30, 2020

	General	Road and Bridge	Constitutional Officers
REVENUES			
Taxes	\$ 9,697,117	\$ 1,747,004	\$ -
Intergovernmental	2,312,100	3,227,392	-
Charges for services	67,225	-	3,512,810
Fines, forfeitures and penalties	217,370	-	-
Investment earnings	132,815	22,451	1,444
Miscellaneous	<u>430,906</u>	<u>50,397</u>	<u>-</u>
Total revenues	<u>12,857,533</u>	<u>5,047,244</u>	<u>3,514,254</u>
EXPENDITURES			
Current:			
General government	5,815,200	-	2,376,897
Public safety	7,466,388	-	-
Health	675,973	-	-
Social services	6,272	-	-
Culture and recreation	232,143	-	-
Roads and bridges	-	5,625,188	-
Capital outlay:			
General government	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>14,195,976</u>	<u>5,625,188</u>	<u>2,376,897</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,338,443)</u>	<u>(577,944)</u>	<u>1,137,357</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,889,188	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(1,193,883)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	550,745	(577,944)	(56,526)
FUND BALANCES			
Beginning, as restated	<u>7,579,990</u>	<u>2,123,758</u>	<u>518,907</u>
Ending	<u>\$ 8,130,735</u>	<u>\$ 1,545,814</u>	<u>\$ 462,381</u>

The Notes to Basic Financial Statements are an integral part of this statement.

Capital Projects	Woods Memorial Permanent Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,928,928	\$ -	\$ -	\$ 15,373,049
329,883	-	-	5,869,375
-	-	-	3,580,035
-	-	136,880	354,250
307,557	41,838	1,712	507,817
<u>479,540</u>	<u>-</u>	<u>-</u>	<u>960,843</u>
<u>5,045,908</u>	<u>41,838</u>	<u>138,592</u>	<u>26,645,369</u>
572,112	8,105	90,293	8,862,607
-	-	72,447	7,538,835
-	3,172	-	679,145
-	-	-	6,272
-	-	-	232,143
-	-	-	5,625,188
<u>2,139,458</u>	<u>-</u>	<u>-</u>	<u>2,139,458</u>
<u>2,711,570</u>	<u>11,277</u>	<u>162,740</u>	<u>25,083,648</u>
<u>2,334,338</u>	<u>30,561</u>	<u>(24,148)</u>	<u>1,561,721</u>
-	-	-	1,889,188
<u>(695,305)</u>	<u>-</u>	<u>-</u>	<u>(1,889,188)</u>
1,639,033	30,561	(24,148)	1,561,721
<u>19,361,541</u>	<u>4,296,568</u>	<u>281,922</u>	<u>34,162,686</u>
<u>\$ 21,000,574</u>	<u>\$ 4,327,129</u>	<u>\$ 257,774</u>	<u>\$ 35,724,407</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2020

Differences in amounts reported for governmental activities in the statement of activities on pages A-3:

Net change in fund balances - total governmental funds	\$ 1,561,721
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position.	4,173,678
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(3,803,615)
The net effect of various transactions involving capital assets is to decrease net position.	(904,453)
Net gain (loss) of the internal service fund are reported with governmental activities	313,965
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	122,714
Certain items 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 compensated absences	(18,506)
Change in net pension asset and related deferrals	9,843
Change in OPEB liability and related deferrals	<u>(12,235)</u>
Change in net position of governmental activities	<u>\$ 1,443,112</u>

The Notes to Basic Financial Statements are an integral part of this statement.

McMINN COUNTY, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GAAP BASIS - GENERAL FUND**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 9,271,166	\$ 9,271,166	\$ 9,697,117	\$ 425,951
Intergovernmental revenues	2,675,122	3,048,065	2,312,100	(735,965)
Charges for services	60,500	62,000	67,225	5,225
Fines, forfeitures and penalties	179,500	187,764	217,370	29,606
Investment earnings	80,000	80,000	132,815	52,815
Miscellaneous	<u>340,000</u>	<u>389,278</u>	<u>392,644</u>	<u>3,366</u>
Total revenues	<u>12,606,288</u>	<u>13,038,273</u>	<u>12,819,271</u>	<u>(219,002)</u>
EXPENDITURES				
Current:				
General government	5,603,156	6,662,934	5,815,200	847,734
Public safety	7,334,075	7,852,078	7,466,388	385,690
Health	841,975	849,612	675,973	173,639
Social services	7,532	7,532	6,272	1,260
Culture and recreation	<u>251,253</u>	<u>251,253</u>	<u>232,143</u>	<u>19,110</u>
Total expenditures	<u>14,037,991</u>	<u>15,623,409</u>	<u>14,195,976</u>	<u>1,427,433</u>
Excess (deficiency) of revenues over expenditures	<u>(1,431,703)</u>	<u>(2,585,136)</u>	<u>(1,376,705)</u>	<u>1,208,431</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital asset	5,000	5,000	38,262	33,262
Transfers in	<u>1,080,000</u>	<u>1,775,305</u>	<u>1,880,909</u>	<u>105,604</u>
Total other financing sources	<u>1,085,000</u>	<u>1,780,305</u>	<u>1,919,171</u>	<u>138,866</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (346,703)</u>	<u>\$ (804,831)</u>	542,466	<u>\$ 1,347,297</u>
Fund Balances				
Beginning			<u>7,579,990</u>	
Ending			<u>\$ 8,122,456</u>	

The Notes to Basic Financial Statements are an integral part of this statement.

McMINN COUNTY, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - ROAD AND BRIDGE FUND**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,730,060	\$ 1,730,060	\$ 1,747,004	\$ 16,944
Intergovernmental revenues	2,763,212	2,763,212	3,227,392	464,180
Investment earnings	30,000	30,000	22,451	(7,549)
Sale of equipment	5,000	43,000	43,255	255
Miscellaneous	2,545	2,545	7,142	4,597
	<u>4,530,817</u>	<u>4,568,817</u>	<u>5,047,244</u>	<u>478,427</u>
EXPENDITURES				
Current:				
Road and bridge:				
Administration	267,626	267,626	236,555	31,071
Highway and bridge maintenance	2,826,106	3,843,518	3,492,759	350,759
Equipment maintenance and operation	579,292	579,292	400,992	178,300
Other charges	214,425	214,425	192,895	21,530
Employee benefits	342,300	521,388	494,057	27,331
Interest on notes	1,000	1,000	-	1,000
Capital outlay	766,500	808,000	807,930	70
	<u>4,997,249</u>	<u>6,235,249</u>	<u>5,625,188</u>	<u>610,061</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (466,432)</u>	<u>\$ (1,666,432)</u>	(577,944)	<u>\$ 1,088,488</u>
Fund Balances				
Beginning, restated			<u>2,114,135</u>	
Ending			<u>\$ 1,536,191</u>	

The Notes to Basic Financial Statements are an integral part of this statement.

McMINN COUNTY, TENNESSEE

**PROPRIETARY FUND
STATEMENT OF NET POSITION**

June 30, 2020

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities- Internal Service Fund
ASSETS		
Current assets:		
Petty cash	\$ 400	\$ -
Equity in pooled cash and investments	3,214,617	391,558
Accounts receivable, net of allowance for doubtful accounts	<u>168,260</u>	<u>-</u>
Total current assets	<u>3,383,277</u>	<u>391,558</u>
Noncurrent assets:		
Net pension asset	108,398	-
Capital assets -		
Land and other nondepreciable assets	438,950	-
Capital assets, net of accumulated depreciation	<u>2,808,047</u>	<u>-</u>
Total noncurrent assets	<u>3,355,395</u>	<u>-</u>
Total assets	<u>6,738,672</u>	<u>391,558</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension changes in assumptions	12,052	-
Pension contributions after measurement date	<u>9,221</u>	<u>-</u>
Total deferred outflow of resources	<u>21,273</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,040	-
Accrued payroll	<u>7,405</u>	<u>-</u>
Total current liabilities	8,445	-
Long-term liabilities:		
Estimated liability for closure and post-closure costs	<u>6,487,215</u>	<u>-</u>
Total liabilities	<u>6,495,660</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES		
Pension changes in investment earnings	9,654	-
Pension changes in experience	<u>32,108</u>	<u>-</u>
Total deferred inflow of resources	<u>41,762</u>	<u>-</u>
NET POSITION		
Investment in capital assets	3,246,997	-
Restricted for pension	87,909	-
Restricted for medical insurance	-	391,558
Unrestricted	<u>(3,112,383)</u>	<u>-</u>
Total net position	<u>\$ 222,523</u>	<u>\$ 391,558</u>

The Notes to Basic Financial Statements are an integral part of this statement.

McMINN COUNTY, TENNESSEE

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION**

Year ended June 30, 2020

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities- Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 1,664,727	\$ -
Medical premiums	-	3,458,453
Other state revenues	50,893	-
Miscellaneous revenues	<u>7,950</u>	<u>-</u>
Total operating revenues	<u>1,723,570</u>	<u>3,458,453</u>
OPERATING EXPENSES		
Salaries and wages	274,320	-
Repairs and maintenance	227,030	-
Surcharges	7,749	-
Closure and post-closure care costs	95,165	-
Contracts with private agencies	166,686	-
Employee benefits	90,606	-
Fuel	44,522	-
Supplies and materials	4,497	-
Insurance	27,963	-
Medical claims expense	-	3,144,488
Other	73,819	-
Depreciation and amortization	<u>74,822</u>	<u>-</u>
Total operating expenses	<u>1,087,179</u>	<u>3,144,488</u>
Operating income	636,391	313,965
NONOPERATING REVENUES		
Investment earnings	<u>45,803</u>	<u>-</u>
Total nonoperating revenues	<u>45,803</u>	<u>-</u>
Change in net position	682,194	313,965
NET POSITION		
Beginning	<u>(459,671)</u>	<u>77,593</u>
Ending	<u>\$ 222,523</u>	<u>\$ 391,558</u>

The Notes to Basic Financial Statements are an integral part of this statement.

McMINN COUNTY, TENNESSEE

PROPRIETARY FUND STATEMENT OF CASH FLOWS

Year ended June 30, 2020

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,640,043	\$ 3,458,453
Receipts from state	50,893	-
Payments to employees	(277,024)	-
Payments for goods and services	<u>(721,410)</u>	<u>(3,144,488)</u>
Net cash from operating activities	<u>692,502</u>	<u>313,965</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(18,424)</u>	-
Net cash from capital and related financing activities	<u>(18,424)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>45,803</u>	-
Net cash from investing activities	<u>45,803</u>	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	719,881	313,965
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,495,136</u>	<u>77,593</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 3,215,017</u>	<u>\$ 391,558</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	<u>\$ 636,391</u>	<u>\$ 313,965</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Depreciation and amortization expense	74,822	-
Increase in net pension asset	(18,309)	-
Change in pension related deferred outflows and inflows	15,605	-
Increase in accounts receivable	(32,634)	-
Increase in accounts payable	(9,414)	-
Increase in due to other funds	(515)	-
Increase in liability for closure and postclosure care costs	<u>26,556</u>	-
Total adjustments	<u>56,111</u>	-
Net cash from operating activities	<u>\$ 692,502</u>	<u>\$ 313,965</u>

The Notes to Basic Financial Statements are an integral part of this statement.

McMINN COUNTY, TENNESSEE

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION**

June 30, 2020

	Athens School Fund	Etowah School Fund	Judicial District Drug Fund	Constitutional Officers Agency Funds
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 636,518
Investments	-	-	-	1,437,850
Equity in pooled cash and investments	-	-	19,966	-
Receivables:				
Property taxes	2,055,904	449,715	-	-
Accounts	<u>294,078</u>	<u>63,866</u>	<u>13,129</u>	<u>-</u>
Total assets	<u>2,349,982</u>	<u>513,581</u>	<u>33,095</u>	<u>2,074,368</u>
LIABILITIES				
Accrued items and other	242,685	55,995	25	-
Intergovernmental payables	73,127	12,885	33,070	235,081
Deferred revenue	2,046,417	447,654	-	-
Due to litigants, heirs and others	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,839,287</u>
Total liabilities	<u>2,362,229</u>	<u>516,534</u>	<u>33,095</u>	<u>2,074,368</u>
NET POSITION	<u>\$ (12,247)</u>	<u>\$ (2,953)</u>	<u>\$ -</u>	<u>\$ -</u>

The Notes to Basic Financial Statements are an integral part of this statement.

McMINN COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

	PAGE
Note A - Summary of Significant Accounting Policies	A - 17
Note B - Stewardship, Compliance and Accountability	A - 27
Note C - Deposits and Investments	A - 28
Note D - Receivables	A - 30
Note E - Solid Waste Disposal Closure and Post Closure Care Costs	A - 30
Note F - Commitments and Contingencies	A - 31
Note G - TCRS Stabilization Trust	A - 31
Note H - Capital Assets	A - 34
Note I - Employee Benefit Plans	A - 35
Note J - Other Postemployment Benefits (OPEB)	A - 46
Note K - Long-term Liabilities	A - 56
Note L - Interfund Transfers	A - 56
Note M - Joint Ventures	A - 56
Note N - Major Taxpayers	A - 57
Note O - Litigation	A - 57
Note P - Risk Management	A - 57
Note Q - Subsequent Events	A - 57

McMINN COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McMinn County, Tennessee (the “County”) was incorporated in 1819, by the Tennessee State Legislature and operates under a legislative body – County Mayor form of government. The present form of government was established in 1982 by constitutional amendment.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

(1) REPORTING ENTITY

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County’s financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

Discretely-Presented Component Units

McMinn County Board of Education – The McMinn County Board of Education provides public education for grades kindergarten through twelve. The ten-member board is currently comprised of elected members who appoint the superintendent. The McMinn County Commission levies taxes for the operations of the school system, approves the Board of Education’s budget, and must approve any debt issuances. The financial activities also include the operations of a general fund type and two special revenue funds. The Board of Education does not issue separate financial statements.

McMinn County Emergency Communications District (E-911 District) – The E-911 District was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The E-911 District board members are appointed by the County Mayor, with concurrence required by the County Commission, and are responsible for the E-911 District operations. The County Commission must approve any bonds or indebtedness of the E-911 District. Complete financial statements may be obtained from: McMinn County Emergency Communications District, 1107 South Congress Parkway, Athens, TN 37303.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The County participates in the following joint ventures:

Hiwassee Utilities Commission - The County is a participant in a joint venture with Bradley County in the operation of the Hiwassee Utilities Commission. Further information can be found in Note L – Joint Ventures.

E.G. Fisher Public Library - In 1995, the Library was formed as a not-for-profit corporation under the laws of the State of Tennessee. The Library is a full-service library offering circulation and reference services, reader's advisory, children's services and programs, and a substantial genealogical collection to residents of McMinn County. Further information can be found in Note L – Joint Ventures.

(3) BASIC FINANCIAL STATEMENTS - GASB STATEMENT NO. 34

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements, focusing on either the County as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Position, the governmental activities (a) are presented on a consolidated basis in a single column and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, highways, and streets, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. Program revenues include revenues from fines and forfeitures, licenses and permits fees, service assessments, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the County as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period. Emphasis here is on the major governmental funds. Non-major governmental funds (by category) are summarized into a single column.

The governmental fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activity's column of the government-wide presentation.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statement. Operating revenues and expenses are the result of providing services to the principal user of the internal service. Any revenues or expenses that are not the result of providing those services are classified as nonoperating. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, highways, and streets, etc.). The County uses an internal service fund to account for costs associated with the employees' health insurance plan.

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The focus of the GASB Statement No. 34 model is on the County as a whole and the fund financial statements. The focus of the fund financial statements is on the major individual governmental funds as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

(4) BASIS OF PRESENTATION

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section.

The County reports the following major funds, proprietary funds, and other fund types:

a) Major Funds:

General Fund – The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

Constitutional Officers Fund – The Constitutional Officers Fund is used to account for the activities associated with the administrative functions of the County's Constitutional Officers.

Road and Bridge Fund – The Road and Bridge Fund is used to account for the County's share of the State of Tennessee gasoline and motor fuel taxes. These taxes are utilized to maintain non-state roads within the County.

Capital Projects Fund – The Capital Projects Fund is used to account for resources designated to construct or acquire capital assets and major improvements. Revenues are derived primarily from the issuance of long-term liabilities, intergovernmental revenues, grants, and earnings on investments.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Fund – The County maintains a permanent fund that provides for the endowment from receipts of funds resulting from the previous sale of the Woods Memorial Hospital.

b) Proprietary Fund:

Enterprise Funds – Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund consists of the solid waste disposal operations used to account for county landfill activities.

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

(5) BASIS OF ACCOUNTING

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

The Government-wide Financial Statements and the Proprietary and Fiduciary Fund Financial Statements are presented on the accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on the modified accrual basis.

Accrual – Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Major revenue sources susceptible to accrual include grants, interest, sales and use taxes, hotel/motel taxes, property taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received. The County defined the length of time used for “available” to be sixty days for the purpose of revenue recognition in the governmental fund financial statements.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. The recipient should, under most circumstances, report resources transmitted before the eligibility requirements are met as advances by the provider and as deferred inflows of resources.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) BUDGET POLICY AND BUDGETARY DATA

Budget Basis/Authority

General revenues and expenditures accounted for in all the governmental funds, except for the Law Library Fund, the Fraud and Economic Crimes Fund, and the Constitutional Officers Fund (Special Revenue Fund types) are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern McMinn County operations. The resources of such funds are appropriated based on resolutions adopted by the McMinn County Board of Commissioners that authorized the County to make expenditures. With the exception of project length budgets and grants, all appropriations lapse at year-end.

The Constitutional Officers Special Revenue Fund is used to account for the transactions of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Circuit and General Sessions Court, Clerk and Master and the Sheriff. These separately elected officials pay salaries and related expenditures from fees and commissions earned by their offices.

Excess fees and commissions are transferred to the general fund. Transactions related to the Constitutional Officers, Law Library and Fraud and Economic Crimes Fraud Special Revenue Funds are not subject to the budgetary control of the County Commission. Therefore, these funds are presented as unbudgeted special revenue funds.

Budgetary Process

Heads of all County departments and agencies submit requests for appropriations to the County Department of Finance. The Board of Education prepares a comprehensive budgetary request that is also sent to the Department of Finance. This budget has been approved by the members of the Board of Education and is sent to the County for adoption.

The Department of Finance in conjunction with the Office of the County Mayor compiles the requests, negotiates with the various departments, and submits a comprehensive budget to the County Commission. By July 1, the final County and Board budget is adopted by County Commissioners.

The appropriated County budget is prepared by fund, department, and major category level. For the County, the budgetary level is at the major category level, that is, the level at which management cannot overspend funds without a budget amendment approved by the County Commission.

The budget adopted by the County for the Board of Education is recommended by the County Mayor and adopted in total. The County does not exercise control over the Board at the department or major category level. After the budget for the Board of Education is approved, the Board of Education may modify it within the total appropriation granted by the County Commission.

The budget and actual schedules included herein are not intended to demonstrate compliance at the legal level of budgetary control. Such statements and schedules are included in the County's separately issued.

The Budget – The Appropriation Resolution – The Tax Levy Resolution of McMinn County, Tennessee. Copies of the budget report may be obtained from the McMinn County Finance Department at the following address:

McMinn County Finance Department
6 East Madison Avenue
Athens, Tennessee 37303

Encumbrances consisting of open purchase orders, unperformed contracts, and other commitments are recorded, in order to reserve that portion of the applicable appropriation, as a formal budgetary control and are utilized in the governmental funds. Outstanding encumbrances are reappropriated in the subsequent year. The County did not have encumbrances recorded at year end.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET FUND POSITION/FUND BALANCE

a) Deposits and Investments

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

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government of 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 of 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 Board of Education. Each fund’s portion of this pool is displayed on the statement of net position as Equity in Pooled Cash and Investments. McMinn County and the Board of Education 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 required the state treasurer to administer the pool under the same terms and conditions, including collateral requirement, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

b) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Transactions between the County and its component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from component units.” All other outstanding balances between the County and its component units are reported as “due to/from Component Units/Primary Government.”

All receivables are shown net of any allowance for doubtful accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the property taxes arises. In the State of Tennessee this date is January 1st and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes is reported as a deferred inflow of resources in the fund financial statements.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous ten years. These property taxes receivable is presented on the fund balance sheet with offsetting deferred inflows of resources to reflect amounts available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Chancery Court for collection. Delinquent taxes filed with the court for collection are considered uncollectible and are written-off.

c) Inventories

Inventories are stated at lower of cost or net realizable value. Governmental fund inventory is valued at cost, which is recorded as expenditure at the time individual inventory items are purchased. Cost is determined on the first in, first out (FIFO) method.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Restricted Assets

Restricted assets consist of amounts held in a pension stabilization trust by the Tennessee Consolidated Retirement System (TCRS) for the benefit of the discretely presented McMinn County School Department's Teacher Retirement Plan. The purpose of this trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to the school system in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an irrevocable agreement and may only be used for the benefit of the McMinn County School Department to fund retirement benefits upon approval of the TCRS Board of Directors. To date, the McMinn County School Department has not withdrawn any funds from the trust to pay pension costs. Trust documents provide that the funds are not subject to the claims of general creditors of the school department.

e) Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. The County maintains infrastructure asset records consistent with other capital assets. The County's threshold for additions to capital assets is \$10,000 and an estimated useful life in excess of one year except for buildings and improvements that are capitalized when the cost is \$50,000 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Buildings	40 – 50 years
Infrastructure (roads, bridges, etc.)	40 – 50 years
Building improvements	10 – 20 years
Equipment, furniture, and vehicles	4 – 20 years

f) Deferred Outflows/Inflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The County reports deferred pension inflows and deferred contributions on pension plans. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Deferred contributions for the pension plans were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as inflow of resources (revenue) until that period. The County has three items that qualify for reporting in this category: (1) Unavailable revenue for property taxes recorded as receivables for the current calendar year tax levy which is not due until the subsequent fiscal year. This amount, reported on the governmental funds balance sheet, will be recognized as revenue next year as it is received. (2) Certain amounts related to pensions must be deferred and (3) Certain amounts related to pensions must be deferred.

Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions are deferred and amortized over the expected remaining service lives of employees.

g) Net Position Flow Assumption

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

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

i) Compensated Absences

It is the policy of the County and its component units to permit employees to accumulate, in varying amounts, earned but unused vacation and sick pay benefits. Annual vacation time accrues at the rate of ½ day per month during the first twelve months of employment, one day per month for employment years two through ten and at one day and a half for each year thereafter. Employees cannot accumulate annual vacation time in excess of 24 days.

All accumulated vacation time is paid to employees unless they are terminated for cause. Sick leave accrues at the rate of ½ day per month, during the first five years of continuous employment and increases to one day per month starting in the sixth year. There are no limits on the amount of sick leave that can be accumulated, but no payment is made to employees for unused sick leave unless they meet the requirements for retirement incentives as explained in the heading "Retirement Incentives" in the subsequent disclosure. Any changes in the vacation liability amounts between periods are adjusted to salary costs in the period of those changes.

Vacation pay liabilities from the County's and the Board of Education's governmental funds are not reported in their respective fund financial statements because it is not expected to be liquidated with expendable available financial resources. No expenditure is reported for these amounts. The compensated absences liability and the related change in the liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

j) Retirement Incentives

Medical insurance – Employees meeting the requirement of a full-service retirement under the Tennessee Consolidated Retirement System (TCRS) (thirty years of creditable service and with a minimum of ten years employment with the County) will be reimbursed \$2,000 of insurance costs for five years or until the employee becomes eligible for Medicare (whichever comes first), or a lump sum payment of \$10,000, on a pay-as-you go basis.

Sick leave – employees meeting the requirement of a full-service retirement under TCRS will be paid for unused sick leave days on record at retirement. Payment for each unused day will be at a rate of one-half of the minimum substitute teacher pay paid by the McMinn County Board of Education.

Substantially all full-time County employees are eligible to participate in retirement benefit plans established by the State of Tennessee.

k) Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of McMinn County's, the Teacher Legacy Pension Plan and the Teacher Retirement Plan's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the plan's 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 Public Employee Retirement Plan of TCRS, the Teacher Legacy Pension Plan and the Teacher Retirement Plan. Investments are reported at fair value.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total 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 McMinn County Government OPEB Plan. For this purpose, McMinn County Government OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

m) Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Similarly, long-term debt and other obligations of the County are recorded as liabilities in the appropriate fund. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

n) Net Position

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Investment in Capital Assets is intended to reflect the net position of assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Position represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Position represents net position that is not restricted for any project or other purpose. While management may have categorized and segmented portions for various purposes, the County has the unrestricted authority to revisit or alter these managerial decisions.

o) Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance – amounts that are either not in spendable form (such as inventory or prepaids) or legally or contractually required to be maintained intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – amounts constrained to specific purposes by third parties (statutory, bond covenant or granting agency), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by the County itself using its highest level of decision-making authority; reported as committed, amounts cannot be used for any other purposes unless the government takes the same highest-level action to remove the constraint.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Fund Balance – amounts the County intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The County Commission has by resolution authorized the County's Budget/Finance Committee to make assignments for the general government. This is the residual classification for all governmental funds other than the general fund. At June 30, 2020, the General fund assigned balance consists of \$2,459,050 debt service; \$474,642 emergency services; \$79,018 health department; and \$49,411 public health.

Unassigned Fund Balance – amounts that are available for any purpose; positive amounts are reported only in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

For the classification of Governmental Fund balances, the County considers an expenditure to be made from the most restrictive classification first when more than one is available.

Fund Balance	<u>General</u>	<u>Road and Bridge</u>	<u>Constitutional Officers</u>	<u>Capital Projects</u>	<u>Woods Memorial</u>	<u>Other Governmental</u>
Nonspendable	\$ 23,712	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	3,062,121	-	-	21,001,069	-	-
Restricted	1,985,477	1,545,814	462,381	-	4,327,130	257,774
Unassigned	<u>3,005,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,076,373</u>	<u>\$ 1,545,814</u>	<u>\$ 462,381</u>	<u>\$ 21,001,069</u>	<u>\$ 4,327,130</u>	<u>\$ 257,774</u>

(8) REVENUES, EXPENDITURES, AND EXPENSES

Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles. General obligation long-term debt principal and interest are reported only when due.

a) Property Taxes

Property taxes levied by the County are assessed by the Assessor of Property and collected by the Trustee, both of whom are elected officials of the County. Property tax revenues are recognized when they become measurable and available. “Available” means due or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. Uncollected amounts not considered available are recorded as deferred revenues. McMinn County has unlimited ability to levy ad valorem taxes.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1, 2019
Levy date	October 1, 2019
Tax bills mailed	October 1, 2019
Payment due dates	October 1, 2019 through February 28, 2020
Delinquency date	March 1, 2020

b) Grant Revenue

The County, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts if any) when all applicable eligibility requirements, including time requirements, are met.

Some grants and contributions consist of capital assets or resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the County.

(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Investment Income

The County maintains a pooled cash system through the McMinn County Trustee. The fair value of purchased investments and investment income at fiscal year-end is allocated to each fund on the total cash position of that fund at the fiscal year end.

d) Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if they involve organizations external to the County are treated as revenues in the receiving fund and expenditures in the disbursing fund. Amounts owed to one fund or component unit by another are reported as due to/due from other funds or component units. Amounts reported in the fund financial statements as due to/due from other funds are eliminated in the governmental activity's column of the government-wide statement of net position.

e) Payments Between the County and Component Units

Resource flows (except those that affect the statement of net positions/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions – that is, as revenues and expenses. Payments from component units consist of debt service payments from “911” Emergency Communication for equipment purchased by the County.

f) Indirect Costs

Expenses reported by function include direct expenses that are specifically associated with a service or program and are clearly identifiable to a particular program. Some functions, such as general government, include expenses that are in essence indirect expenses of other functions. The County has elected not to charge these indirect expenses to other functions.

g) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2020, the County had material excess of expenditures over appropriations of \$566,760 in the road and bridge fund.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits and Investments

McMinn County and the Board of Education participate in an internal cash and investment pool through the Office of the Trustee. The 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 positions 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 averaged 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 pools 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 or 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 investment with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in 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, 2020, McMinn County had investments carried at amortized cost using a Stable Net Asset Value which approximates fair value as established by generally accepted accounting principles. All investments are in the county trustee's investment pool. Separate disclosure concerning pooling investments cannot be made for McMinn County and the Board of Education since both pool their deposits and investments through the county trustee.

At June 30, 2020, the carrying amount of the County's deposits is as follows:

(Continued)

NOTE C – DEPOSITS AND INVESTMENTS (Continued)

Balances with the Trustee are as follows:

Cash on hand	\$ 609,788
Bank accounts	9,491,469
Interest-bearing deposits in financial institutions	<u>36,946,669</u>
	<u>\$ 47,047,926</u>

The deposits and investments held by the Trustee are recorded within the financial statements as follows:

	<u>Trustee Balance</u>	<u>Outstanding Warrants</u>	<u>Carrying Value</u>
Primary Government	\$ 38,526,378	\$ 953,339	\$ 37,573,039
Component Units:			
Board of Education	6,441,115	641,190	5,799,925
Emergency Communications District	<u>1,702,447</u>	<u>94,941</u>	<u>1,607,476</u>
Total government-wide	46,669,940	1,689,470	44,980,440
Trustee:			
Fee and Commission A29	356,077	-	356,077
Agency fund:			
Judicial District Drug	<u>21,909</u>	<u>1,945</u>	<u>19,964</u>
	<u>\$ 47,047,926</u>	<u>\$ 1,691,415</u>	<u>\$ 45,356,481</u>

Deposits held by Constitutional Officers are as follows:

	<u>Constitutional Officers Special Revenue Funds (Major Fund)</u>	<u>Agency Funds</u>	<u>Total</u>
Circuit, General Sessions and Probate Clerks	\$ 190,077	\$ 1,280,335	\$ 1,470,412
Clerk and Master	12,321	558,952	571,273
County Clerk	(112,438)	62,902	(49,536)
Register of Deeds	16,343	139,005	155,348
Trustee	356,077	-	356,077
Sheriff	<u>1</u>	<u>33,174</u>	<u>33,175</u>
	<u>\$ 462,381</u>	<u>\$ 2,074,368</u>	<u>\$ 2,536,749</u>

Custodial credit risk – Custodial credit risk for the County, the Constitutional Officers and the District deposits is the risk that in the event of a bank failure, the County, the Constitutional Officers and District deposits may not be returned to them. As required by state statutes, the County’s, the Constitutional Officers’ and the District’s policy is to require that financial institutions holding its deposits to be members of the Tennessee Collateral pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the County, the Constitutional Officer and the District or their agents in the County’s, the Constitutional Officers’ or the District’s name.

Credit risk – At June 30, 2020 none of the County’s, the Constitutional Officers’, or the District’s bank balances were exposed to credit risk.

NOTE D – RECEIVABLES

Receivables at June 30, 2020, consist of the following:

	<u>Property Taxes</u>	<u>Other Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Allowance for Uncollectible</u>	<u>Net</u>
Governmental Activities:						
General	\$ 8,252,693	\$ 176,231	\$ 752,705	\$ -	\$ 708,000	\$ 8,473,629
Road and bridge	1,959,026	459,093	7,802	-	167,000	2,258,921
Capital projects	4,182,663	-	78,825	85,000	361,000	3,985,488
Nonmajor	-	-	<u>2,842</u>	-	-	<u>2,842</u>
	<u>14,394,382</u>	<u>635,324</u>	<u>842,174</u>	<u>85,000</u>	<u>1,236,000</u>	<u>14,720,880</u>
Business-type Activity:						
Solid waste disposal	-	<u>12,975</u>	<u>177,920</u>	-	<u>22,635</u>	<u>168,260</u>
	<u>\$ 14,394,382</u>	<u>\$ 648,299</u>	<u>\$ 1,020,094</u>	<u>\$ 85,000</u>	<u>\$ 1,258,635</u>	<u>\$ 14,889,140</u>
Component Units:						
Board of Education	\$ 7,400,891	\$ 957,394	\$ 1,002,645	\$ -	\$ 708,000	\$ 8,652,930
E-911 District	-	-	<u>22,080</u>	-	-	<u>22,080</u>
	<u>\$ 7,400,891</u>	<u>\$ 957,394</u>	<u>\$ 1,024,725</u>	<u>\$ -</u>	<u>\$ 708,000</u>	<u>\$ 8,675,010</u>
Fiduciary:						
Agency	<u>\$ 2,739,619</u>	<u>\$ 357,944</u>	<u>\$ 13,129</u>	<u>\$ -</u>	<u>\$ 234,000</u>	<u>\$ 2,876,692</u>

Notes receivable consists of non-interest-bearing funds from the County to the City of Etowah – \$85,000 to assist with the purchase of industrial park development. As industrial park property is sold, the notes are to be retired by the County and the Development Authority.

NOTE E – SOLID WASTE DISPOSAL POST CLOSURE CARE COSTS

The McMinn County Landfill has an active permit on file with the State of Tennessee Department of Environment and Conservation for a sanitary landfill. The County has provided financial assurances for estimated post closure liabilities as a required by the State of Tennessee via a Contract in Lieu of Performance Bond. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require that McMinn County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The recognition of these landfill closure and post closure care costs is based on the amount of the landfill space used during the fiscal year. The estimated liability for landfill closure and post closure care cost of \$6,487,215 as of June 30, 2020, which is based on 54% usage of the landfill. It is estimated that an additional \$4,664,870 will be recognized as closure and post closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated remaining life of the class I and class III/IV landfill area are expected to be 14.7 and 12 years, respectively. The estimated total current cost of the landfill closure and post closure care of \$11,152,085 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2020. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE F – COMMITMENTS AND CONTINGENCIES

The County is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

NOTE G – TCRS STABILIZATION TRUST

Legal Provisions

The McMinn County School Department is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The school department has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the school department. 48 The trust is authorized to make investments as directed by the TCRS Board of Trustees. The McMinn County School Department may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances

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

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2020, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments where fair value is measured using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

(Continued)

NOTE G – TCRS STABILIZATION TRUST (Continued)

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

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

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

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

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

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

On June 30, 2020, the McMinn County School Department had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 58,349
Developed Market International Equity	N/A	N/A	26,351
Emerging Market International Equity	N/A	N/A	7,529
U.S. Fixed Income	N/A	N/A	37,646
Real Estate	N/A	N/A	18,822
Short-term Securities	N/A	N/A	1,882
NAV – Private Equity and Strategic Lending	N/A	N/A	<u>37,646</u>
 Total			 <u>\$ 188,225</u>

(Continued)

NOTE G – TCRS STABILIZATION TRUST (Continued)

Investment by Fair Value Level	Fair Value Measurements Using				NAV
	Fair Value 6-30-20	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Equity	\$ 58,349	\$ 58,349	\$ 0	\$ 0	\$ 0
Developed Market					
International Equity	26,351	26,351	0	0	0
Emerging Market					
International Equity	7,529	7,529	0	0	0
U.S. Fixed Income	37,646	0	37,646	0	0
Real Estate	18,822	0	0	18,822	0
Short-term Securities	1,882	0	1,882	0	0
Private Equity and Strategic Lending	<u>37,646</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,646</u>
Total	<u>\$ 188,225</u>	<u>\$ 92,229</u>	<u>\$ 39,528</u>	<u>\$ 18,822</u>	<u>\$ 37,646</u>

Risks and Uncertainties

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The McMinn County School Department does not have the ability to limit trust investment 51 maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the McMinn County School Department to pay retirement benefits of the school department employees.

For further information concerning the school department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advancedsearch/disclaimer/2020/ag19091.pdf>.

NOTE H – CAPITAL ASSETS

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

Primary Government	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 3,132,108	\$ 227,220	\$ -	\$ 3,359,328
Construction in progress	<u>2,931,746</u>	<u>849,236</u>	<u>3,215,057</u>	<u>565,925</u>
Total non-depreciable assets	<u>6,063,854</u>	<u>1,076,456</u>	<u>3,215,057</u>	<u>3,925,253</u>
Depreciable assets:				
Infrastructure	94,253,004	5,038,694	-	99,291,698
Buildings	29,493,889	-	-	29,493,889
Equipment, furniture, and vehicles	<u>11,987,132</u>	<u>1,300,030</u>	<u>483,019</u>	<u>12,804,143</u>
Total depreciable assets	<u>135,734,025</u>	<u>6,338,724</u>	<u>483,019</u>	<u>141,589,730</u>
Less accumulated depreciation for:				
Infrastructure	59,578,065	2,422,661	336,241	61,664,485
Buildings	9,697,024	727,292	-	10,424,316
Equipment, furniture, and vehicles	<u>8,460,298</u>	<u>653,662</u>	<u>120,333</u>	<u>8,993,627</u>
Total accumulated depreciation	<u>77,735,387</u>	<u>3,803,615</u>	<u>456,574</u>	<u>81,082,428</u>
Depreciable assets, net	<u>57,998,638</u>	<u>2,535,109</u>	<u>26,445</u>	<u>60,507,302</u>
Governmental activities capital assets, net	<u>\$ 64,062,492</u>	<u>\$ 3,611,565</u>	<u>\$ 3,241,502</u>	<u>\$ 64,432,555</u>
	Beginning Balance	Additions	Retirements	Ending Balance
Business-type Activities:				
Non-depreciable Assets:				
Land	\$ 438,950	\$ -	\$ -	\$ 438,950
Total non-depreciable assets	<u>438,950</u>	<u>-</u>	<u>-</u>	<u>438,950</u>
Depreciable assets:				
Infrastructure	6,373,603	-	-	6,373,603
Buildings	160,572	-	-	160,572
Equipment, furniture, and vehicles	<u>2,651,604</u>	<u>18,424</u>	<u>-</u>	<u>2,670,028</u>
Total depreciable assets	<u>9,185,779</u>	<u>18,424</u>	<u>-</u>	<u>9,204,203</u>
Less accumulated depreciation for:				
Infrastructure	4,035,925	2,320	-	4,038,245
Buildings	159,125	231	-	159,356
Equipment, furniture, and vehicles	<u>2,126,284</u>	<u>72,271</u>	<u>-</u>	<u>2,198,555</u>
Total accumulated depreciation	<u>6,321,334</u>	<u>74,822</u>	<u>-</u>	<u>6,396,156</u>
Depreciable assets, net	<u>2,864,445</u>	<u>(56,398)</u>	<u>-</u>	<u>2,808,047</u>
Business-type activities capital assets, net	<u>\$ 3,303,395</u>	<u>\$ (56,398)</u>	<u>\$ -</u>	<u>\$ 3,246,997</u>

(Continued)

NOTE H – CAPITAL ASSETS (Continued)

Discretely Presented Component Units

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable assets:				
Land	\$ 1,176,449	\$ -	\$ -	\$ 1,176,449
Construction in progress	<u>346,940</u>	<u>906,064</u>	<u>1,253,004</u>	<u>-</u>
Total non-depreciable assets	<u>1,523,389</u>	<u>906,064</u>	<u>1,253,004</u>	<u>1,176,449</u>
Depreciable assets:				
Infrastructure	3,563,294	-	-	3,563,294
Buildings	52,092,629	1,221,783	-	53,314,412
Equipment, furniture, and vehicles	<u>11,247,981</u>	<u>450,980</u>	<u>917,545</u>	<u>10,781,416</u>
Total depreciable assets	<u>66,903,904</u>	<u>1,672,763</u>	<u>917,545</u>	<u>67,659,122</u>
Less accumulated depreciation for:				
Infrastructure	446,364	317,814	-	764,178
Buildings	29,553,561	1,548,218	-	31,101,779
Equipment, furniture, and vehicles	<u>7,744,688</u>	<u>654,894</u>	<u>43,294</u>	<u>8,356,288</u>
Total accumulated depreciation	<u>37,744,613</u>	<u>2,520,926</u>	<u>43,294</u>	<u>40,222,245</u>
Depreciable assets, net	<u>29,159,291</u>	<u>(848,163)</u>	<u>874,251</u>	<u>27,436,877</u>
Component unit's capital assets, net	<u>\$ 30,682,680</u>	<u>\$ 57,901</u>	<u>\$ 2,127,255</u>	<u>\$ 28,613,326</u>

Depreciation expense is charged to functions as follows:

Governmental Activities:	
General government	\$ 1,305,432
Public safety	7,921
Roads and bridges	<u>2,490,262</u>
Total	<u>\$ 3,803,615</u>
Business-type activities:	
Solid waste disposal fund	<u>\$ 74,822</u>
Discretely Presented Component Units:	
Education	\$ 2,359,907
E-911 District	<u>161,019</u>
Total	<u>\$ 2,520,926</u>

NOTE I – EMPLOYEE BENEFIT PLANS

Tennessee Consolidated Retirement System – McMinn County

General Information about the Pension Plan

Plan description. Employees of McMinn County and non-certified employees of the discretely presented McMinn County Schools with membership in the TCRS before January 1, 2014 are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service.

Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	388
Inactive employees entitled to but not yet receiving benefits	651
Active employees	<u>460</u>
	<u>1,499</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. McMinn 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, 2020 employer contributions for McMinn County were \$325,329 based on a rate of 4.17% percent of covered payroll and \$226,076 for the McMinn County Schools based on a rate of 4.17% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept McMinn County’s state shared taxes if required employer contributions are not remitted. The employers actuarially determined contribution (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)

Pension liabilities (assets). McMinn County’s net pension liability (asset) was measured as of June 30, 2019, 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 June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, average 4.00 percent
Investment rate or return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation was 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 reflect more closely actual and expected future experience.

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from McMinn 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 Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Asset (a) – (b)</u>
Balances at June 30, 2018	\$ 55,179,297	\$ 60,087,393	\$ (4,908,096)
Changes for the year:			
Service cost	1,230,795	-	1,230,795
Interest expense	3,980,521	-	3,980,521
Differences between expected and actual experience	(916,416)		(916,416)
Changes in Assumptions	-	-	-
Contributions – employer	-	551,405	(551,405)
Contributions – employees	-	661,159	(661,159)
Net investment income	-	4,405,546	(4,405,546)
Benefits payments, including refunds of employee contributions	(3,012,695)	(3,012,695)	-
Administrative expense	-	(40,872)	40,872
Other changes	-	-	-
Net changes	<u>1,282,205</u>	<u>2,564,543</u>	<u>(1,282,338)</u>
Balances at June 30, 2019	<u>\$ 56,461,502</u>	<u>\$ 62,651,936</u>	<u>\$ (6,190,434)</u>

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	<u> </u>	<u> </u>	<u> </u>
McMinn County	\$ 33,312,286	\$ 36,964,642	\$ (3,652,356)
Non-certified McMinn County School	<u>23,149,216</u>	<u>25,687,294</u>	<u>(2,538,078)</u>
Balances at June 30, 2019	<u>\$ 56,461,502</u>	<u>\$ 62,651,936</u>	<u>\$ (6,190,434)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of McMinn 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 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability (asset)	<u>\$ 513,602</u>	<u>\$ (6,190,434)</u>	<u>\$ (11,783,316)</u>

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

Pension Expense. For the year ended June 30, 2020, McMinn County recognized negative pension expense of \$180,655.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, McMinn 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 1,286,072
Net difference between projected and actual earnings on pension plan investments	-	738,909
Changes in Assumptions	328,301	-
Contributions subsequent to the measurement date of June 30, 2019	<u>526,596</u>	<u>-</u>
Total	<u>\$ 854,897</u>	<u>\$ 2,024,981</u>

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

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
McMinn County	\$ 806,983	\$ 1,497,332
Non-certified McMinn County Schools	<u>560,784</u>	<u>1,040,519</u>
Total	<u>\$ 1,367,767</u>	<u>\$ 2,537,851</u>

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

Year Ended June 30:	
2020	\$ (120,774)
2021	(307,148)
2022	(995,737)
2023	(370,613)
2024	(23,189)
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2020, McMinn County reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

Tennessee Consolidated Retirement System – McMinn County Schools Teacher Legacy Pension Plan

General Information about the Pension Plan

Plan description. The Tennessee Consolidated Retirement System (TCRS) was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of 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 <https://treasury.tn.gov/retirement/boards-and-governance/reporting-and-investment-policies>.

Teachers employed by McMinn County Schools with membership in the Tennessee Consolidated Retirement System (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 Local Education Agencies (LEAS) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes 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 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s service credit. A reduced early retirement benefit is available at age 55 if vested. 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 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Local Education Agencies (LEA) makes 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. if required employer contributions are not remitted. Employer contributions by McMinn County Schools for the year ended June 30, 2020, to the Teacher Legacy Pension Plan were \$1,889,424, which is 10.72% 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, 2020, McMinn County Schools reported an asset of (\$5,611,738) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. McMinn County Schools’ proportion of the net pension liability was based on McMinn County Schools’ share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, McMinn County Schools’ proportion was 0.545793 percent. The proportion measured as of June 30, 2018 was 0.540274 percent.

Pension expense (negative pension expense). For the year ended June 30, 2020, McMinn County recognized pension expense (negative pension expense) of \$741,039.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, McMinn County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,154,540
Changes in assumptions	756,211	-
Net difference between projected and actual earnings on pension plan investments	-	1,603,382
Changes in proportion of net pension liability (asset)	-	14,307
LEA’s contributions subsequent to the measurement date of June 30, 2019	<u>1,889,424</u>	<u>-</u>
Total	<u>\$ 2,645,635</u>	<u>\$ 4,772,229</u>

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

McMinn County Schools' employer contributions of \$1,914,310, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended 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 Ended June 30:	
2021	\$ (1,152,889)
2022	(1,609,286)
2023	(720,668)
2024	(533,175)
2025	-
Thereafter	-

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

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

Inflation	2.5 percent
Salary increase	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, average 4.00 percent
Investment rate or return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all 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.

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents McMinn County Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what McMinn County Schools’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net pension liability (asset)	<u>\$ 11,474,383</u>	<u>\$ (5,611,738)</u>	<u>\$ (19,203,274)</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2020, McMinn County Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

Tennessee Consolidated Retirement System – McMinn County Schools Teacher Retirement Plan

General Information about the Pension Plan

Plan description. The Tennessee Consolidated Retirement System (TCRS) was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>. Teachers with membership in the TCRS before July 1, 2014 of McMinn County Schools are provided with pensions through the Teacher Retirement 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.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at 65 years of age with 5 years of service credit or pursuant to the rule of 90 in which the member’s age and credit service 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 at age 60 and vested 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 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 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. Under the Teacher Retirement 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.

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

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 contribute 5 percent of salary. The Local Education Agencies (LEA) makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provision governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for 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 by McMinn County Schools for the year ended June 30, 2020, to the Teacher Retirement Plan were \$199,341 which is 4.00% 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, 2020, McMinn County Schools reported a liability (asset) of (\$231,189) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. McMinn County Schools’ proportion of the net pension liability (asset) was based on McMinn County Schools’ share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, McMinn County Schools’ proportion was 0.409557 percent. The proportion measured as of June 30, 2018 was 0.378570 percent.

Pension expense (negative pension expense). For the year ended June 30, 2020, McMinn County Schools recognized pension expense (negative pension expense) of \$70,266.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, McMinn County Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$30,773
Net difference between projected and actual earnings on pension plan investments	-	9,774
Changes in assumptions	8,033	-
Changes in proportion of net pension liability (asset)	-	26,180
LEA’s contributions subsequent to the measurement date of June 30, 2019	<u>199,341</u>	<u>-</u>
Total	<u>\$ 207,374</u>	<u>\$ 66,727</u>

McMinn County Schools’ employer contributions of \$199,341, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction (increase) of net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

Year Ended June 30:	
2020	\$ (7,189)
2021	(8,685)
2022	(5,943)
2023	(4,545)
2024	(4,147)
Thereafter	(28,185)

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

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

Inflation	2.5 percent
Salary increase	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, average 4.00 percent
Investment rate or return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

(Continued)

NOTE I – EMPLOYEE BENEFIT PLANS (Continued)

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all 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 net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of McMinn County Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what McMinn County Schools’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability (asset)	\$ <u>73,250</u>	\$ <u>(231,189)</u>	\$ <u>(456,226)</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2020, McMinn County Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

Defined Contribution Plan – McMinn County Schools Teacher Retirement Plan

Teachers hired after July 1, 2014, by McMinn County Schools 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 McMinn County Schools contribute five percent of each teacher’s salary into their defined contribution plan. In addition, teachers are required to contribute two percent of their salaries into this defined contribution plan, unless they opt out of the employee portion. During the year, McMinn County Schools contributed \$257,258 and teachers contributed \$89,887 to this plan.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OPEB Plan – McMinn County Government – Commercial Plan

Plan description. In addition to providing pension benefits, the County provides a portion of the health care benefits for certain retired employees under a single employer defined benefit OPEB plan. The McMinn County Government OPEB plan is administered through Healthscope Benefits. A stand-alone financial report is not issued. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Benefits provided. Those with 30 years of service with 10 of those years with McMinn County are eligible for a reimbursement of \$2,000 for 5 years or until they are Medicare eligible (if earlier), or a lump sum amount of \$10,000. In addition, a retiree must have met the age requirement of 55 years with 10 years of service with McMinn County to be eligible for County health insurance until they are Medicare eligible and must pay 100 percent of the premium.

Employees covered by benefit terms. At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>224</u>
	<u>227</u>

Contributions. The County is reimbursed by the retirees using a formula based on date of retirement, years of service, and the County’s computed cost for active employees. During the fiscal year ended June 30, 2020, the County made no contributions for health care benefits. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the total OPEB liability.

Total OPEB Liability

McMinn County’s total OPEB liability of \$399,295 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2016. The liability covers McMinn County and the E-911 fund, a discretely presented component unit. The proportionate share of the total OPEB liability and the related expense, deferred outflows and deferred inflows are allocated based on the % of present value of future benefits since contributions cannot be used since they are not required by the County under the Plan. The County’s share is 93 percent.

Actuarial assumptions and other inputs. The total OPEB liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0 percent annually
Salary increases	3.50 percent annually
Discount rate	3.87 percent
Healthcare cost trend rates	8.00 percent for 2018, decreasing by 0.5 percent per year to an ultimate rate of 5.00 percent for 2024 and later years
Retirees’ share of benefit-related costs	100 percent of projected health insurance premiums for retirees. Retirees with 30 years of creditable service are reimbursed \$2,000 for 5 years or until they are Medicare eligible, if earlier or one lump sum payment of \$10,000.

The discount rate was based on the Bond Buyer’s 20 Bond Index.

Mortality rates are from the RP-2014 table fully generationally with projection Scale MP-2018.

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balances at June 30, 2019	\$ 347,643
Changes for the year:	
Service cost	30,322
Interest	12,805
Change in benefit terms	(6,899)
Differences between expected and actual experience	-
Changes in assumptions	5,894
Benefits payments	<u>(22,379)</u>
Net changes	<u>19,743</u>
Balances at June 30, 2020	<u>\$ 367,386</u>

Changes in assumptions reflect a change in the discount rate from 3.50 percent as of June 30, 2019 to 3.50 percent as of June 30, 2020.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of McMinn County calculated using the discount rate of 3.50 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 376,145</u>	<u>\$ 367,386</u>	<u>\$ 360,714</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of McMinn County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB liability	<u>\$ 332,162</u>	<u>\$ 367,386</u>	<u>\$ 409,511</u>

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

OPEB Expense. For the year ended June 30, 2020, McMinn County recognized OPEB expense of \$30,587.

Deferred outflows of resources and deferred inflows of resources. At June 30, 2020, McMinn County reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 5,372
Experience gain/loss	<u>39,000</u>	<u>-</u>
Total	<u>\$ 39,000</u>	<u>\$ 5,372</u>

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

Year Ended June 30:	
2020	\$ 5,693
2021	5,693
2022	5,693
2023	5,693
2024	5,693
Thereafter	<u>5,163</u>
	<u>\$ 33,628</u>

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

Payable to the OPEB Plan

At June 30, 2020, no amounts were payable to the OPEB plan by McMinn County.

OPEB Plan – Board of Education – State of Tennessee

General Information about the OPEB Plan

Plan description. In addition to providing pension benefits, the McMinn County Board of Education provides a portion of the health care benefits for certain retired employees under a single employer defined benefit OPEB plan. The McMinn County Board of Education OPEB plan is administered through the State of Tennessee. A stand-alone financial report is not issued. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

Benefits provided. Those with 30 years of service with 10 of those years with the Board are eligible for a reimbursement of \$2,000 for 5 years or a lump sum amount of \$10,000. In addition, a retiree must have met the age requirement of 55 years with 10 years of service with the Board to be eligible for Board health insurance until they are Medicare eligible and must pay 100 percent of the premium.

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Employees covered by benefit terms. At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>612</u>
	<u>620</u>

Contributions. The Board is reimbursed by the retirees using a formula based on date of retirement, years of service, and the Board’s computed cost for active employees. During the fiscal year ended June 30, 2020, the Board made no contributions for health care benefits. The Board will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the Board will not fund the remaining portion of the annual required contribution.

Total OPEB Liability

The Board’s total OPEB liability of \$2,106,655 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial assumptions and other inputs. The total OPEB liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00 percent annually
Salary increases	3.50 percent annually
Discount rate	3.50 percent
Healthcare cost trend rates	8.50 percent for 2017, decreasing by 0.5 percent per year to an ultimate rate of 5.00 percent for 2024 and later years.
Retirees’ share of benefit-related costs	100 percent of projected health insurance premiums for retirees. Retirees with 30 years of creditable service are reimbursed \$2,000 for 5 years or until they are Medicare eligible, if earlier or one lump sum payment of \$10,000.

The discount rate was based on the Bond Buyer’s 20 Bond Index.

Mortality rates are from the RP-2014 table Fully Generational Mortality Table with projection scale MP-2018.

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balances at June 30, 2018	\$ 2,106,655
Changes for the year:	
Service cost	143,805
Interest	77,416
Change in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefits payments,	<u>(77,819)</u>
Net changes	<u>143,402</u>
Balances at June 30, 2019	<u>\$ 2,250,057</u>

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in assumptions reflect a change in the discount rate from 3.58 percent as of June 30, 2019 to 3.50 percent as of June 30, 2020.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of McMinn County calculated using the discount rate of 3.50 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease <u>(2.50%)</u>	Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB liability	\$ 2,425,831	\$ 2,250,057	\$ 2,083,817

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of McMinn County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease <u>(7.0% decreasing to 4.0%</u>	Healthcare Cost Trend Rates <u>(8.0% decreasing to 5.0%)</u>	1% Increase <u>(9.0% decreasing to 6.0%)</u>
Total OPEB liability	\$ 2,048,110	\$ 2,250,057	\$ 2,492,208

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

OPEB Expense. For the year ended June 30, 2020, McMinn County recognized OPEB expense of \$141,644.

Deferred outflows of resources and deferred inflows of resources. At June 30, 2020, McMinn County reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in experience gain	\$ -	\$ 711,534
Changes in assumptions	<u>-</u>	<u>53,983</u>
Total	<u>\$ -</u>	<u>\$ 765,517</u>

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Year Ended June 30:	
2018	\$ (79,577)
2019	(79,577)
2020	(79,577)
2021	(79,577)
2022	(79,577)
Thereafter	<u>(367,632)</u>
	\$ <u>(765,517)</u>

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

Payable to the OPEB Plan

At June 30, 2020, no amounts were payable to the OPEB plan by the Board of Education.

OPEB Plan – Board of Education – Closed Teacher Group

General information about the OPEB plan

Plan description - Employees of McMinn County Board of Education, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided - The McMinn County Board of Education offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. 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 TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO, or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. McMinn County Board of Education does not directly subsidize the policies. 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. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Employees covered by benefit terms - At July 1, 2018, the following employees of McMinn County Board of Education was covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>532</u>
	<u>564</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP 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 McMinn County Board of Education paid \$187,440 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions - The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent annually
Salary increase	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.75 percent for 2019, decreasing annually to an ultimate rate of 3.85% for 2050 and later years
Retiree’s share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016.

The demographic assumptions were adjusted to reflect more closely actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate - The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in Collective Total OPEB Liability

	Total OPEB Liability (a)
Balances at June 30, 2018	\$ 5,576,879
Changes for the year:	
Service cost	320,236
Interest	207,123
Change in benefit terms	-
Differences between expected and actual experience	589,144
Changes in assumptions	(472,777)
Benefits payments,	<u>(354,116)</u>
Net changes	<u>289,610</u>
Balances at June 30, 2019	<u>\$ 5,866,489</u>
Non-employer contributing entities proportionate share of the collective total OPEB liability	\$ 2,069,040
Employer's proportionate share of the collective total OPEB liability	\$ 3,797,449
Employer's proportion of the collective total OPEB liability	64.73%

The McMinn County Board of Education has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGRP. McMinn County Board of Education's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The proportion changed 0.59% from the prior measurement date. McMinn County Board of Education recognized \$163,000 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGRP for McMinn County Board of Education retirees.

Changes in assumptions - The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate - The following presents the proportionate share of the collective total OPEB liability related to the TGOP, 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 1-percentage-point lower or 1-percentage-point higher than the current discount rate. (expressed in thousands)

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Proportionate share of collective total OPEB liability	<u>\$ 3,360,411</u>	<u>\$ 3,797,449</u>	<u>\$ 4,316,927</u>

(Continued)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, 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 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate. (expressed in thousands)

	1% Decrease (5.75% decreasing to 2.85%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.85%)	1% Increase (7.75% decreasing to 4.85%)
Proportionate share of collective total OPEB liability	\$ 3,360,411	\$ 3,797,449	\$ 4,316,927

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

OPEB expense - For the fiscal year ended June 30, 2019, McMinn County Board of Education recognized OPEB expense of \$449,000.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June 30, 2019, McMinn County Board of Education reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 68,772
Changes of assumptions	-	316,859
Changes in proportion and differences between amounts paid as benefits came due and proportionate share	-	36,275
Amounts paid by the employer and non-employer contributors as the benefits came due	-	-
Employer payments subsequent to the measurement date	<u>187,440</u>	<u>-</u>
Total	<u>\$ 187,440</u>	<u>\$ 421,906</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

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

Year Ended June 30:	
2021	\$ (55,553)
2022	(55,553)
2023	(55,553)
2024	(55,553)
2025	<u>(199,694)</u>
	<u>\$ (421,906)</u>

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

NOTE K – LONG-TERM LIABILITIES

Long-term liabilities include the accrual of obligations relating to compensated absences. The balance of the liability was \$357,048 included in governmental funds and \$556,155 in the component units. Ad valorem taxes are used to provide for the before mentioned obligations.

During the year ended June 30, 2020, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Adjustments/ Retirements	Ending Balance	Current Portion
Governmental Activities					
Compensated absences	\$ 357,048	\$ 375,555	\$ 357,048	\$ 375,555	\$ 375,555
Business-type Activities					
Landfill closure and post closure costs	6,460,659	26,556	-	6,487,215	-
Component Unit McMinn County BOE					
Compensated absences	<u>556,155</u>	<u>594,264</u>	<u>556,155</u>	<u>594,264</u>	<u>594,264</u>
	<u>\$ 7,373,862</u>	<u>\$ 996,375</u>	<u>\$ 913,203</u>	<u>\$ 7,457,034</u>	<u>\$ 969,819</u>

NOTE L – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2020, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Discretely Presented School Department: General Purpose School	Nonmajor governmental	\$ 401,253
Nonmajor governmental	Discretely Presented Component Unit: E911 District	95

NOTE M – INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires them or (2) use unrestricted revenues collected in the general fund or capital projects – miscellaneous fund to finance various programs or construction projects accounted for in other funds in accordance with budgetary authorizations. The composition of primary government and component unit transfers for the year ended June 30, 2020, is as follows:

Primary Government

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Other governmental funds:		
Trustee	General Fund	\$ 400,000
County Clerk	General Fund	509,495
Clerk and Master	General Fund	276,109
		<u>\$ 1,185,604</u>

These transfers were properly approved by the County Commission.

NOTE N – JOINT VENTURES

Hiwassee Utilities Commission - The County is a participant in a joint venture with Bradley County in the operation of the Hiwassee Utilities Commission (the “Commission”). The Commission was established in 1972 under the Inter-local Cooperation Act and under Tennessee Code Sections 12-801 and 5-1601 to provide service as an urban public utility and the Commission became operational in 1982. Each of the participants appoints three members of the Board to oversee the operations. In 2015, the Counties authorized the issuance of \$11,135,000 in General Obligation Refunding Bonds, Series 2015 to retire the outstanding principal on Local Government Public Improvement Series B-14-A bonds issued in 2008. While these are revenue bonds, the Counties will levy ad valorem taxes on all taxable property within the corporate limits of each County in the event such revenues are insufficient. The bonds bear an average interest rate of 3.22% per annum. The remaining balance at June 30, 2020, is \$10,055,000 of which McMinn County’s exposure is \$5,015,000. Complete separate financial statements for the Commission may be obtained at 3973 Chatata Valley Road, Charleston, Tennessee 37310.

E.G. Fisher Public Library - In 1995, the Library was formed as a not-for-profit corporation under the laws of the State of Tennessee. The Library is a full-service library offering circulation and reference services, reader’s advisory, children’s services and programs, and a strong genealogical collection to residents of McMinn County. The County of Athens and McMinn County participate in the joint operation of the Library in that the Library’s Board consists of four members appointed by the McMinn County Commission and three members appointed by the Athens County Council. However, the Library’s operations have been excluded from McMinn County’s reporting entity because of their limited oversight responsibility and their lack of involvement in directing the Library’s budgets, fees, or debt obligations. The Library issues separate financial statements which are available from the E.G. Fisher Public Library Board, 1289 Ingleside Avenue, Athens, Tennessee. Summarized information for the Library’s fiscal year ending June 30, 2020, the latest available audited financial statements, is as follows:

Total assets	\$ 2,454,463
Total deferred outflows of resources	54,838
Total liabilities	(86,959)
Total deferred inflows of resources	<u>(3301)</u>
Total net position	<u>\$ 2,419,041</u>

NOTE O – MAJOR TAXPAYERS

The County has two taxpayers that paid 16% of the total 2019 property taxes billed and collected prior to June 30, 2020.

NOTE P – LITIGATION

McMinn County is named as defendant in several lawsuits seeking damages in various amounts, none of which is expected to exceed insurance coverage. The County attorney has stated that it is difficult to estimate the outcome of these cases at this time and that any potential claims against the County not covered by insurance resulting from the litigation cannot specifically be estimated. Therefore, no amounts have been accrued as of June 30, 2020.

NOTE Q – RISK MANAGEMENT

McMinn County is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County insures itself against potential losses associated with these risks through purchase of commercial insurance. There were no reductions in limits of liability or coverage of insurance policies in effect during 2020 from those in effect in the preceding year. In addition, there have been no losses in excess of insurance coverage during the last three years.

The County provides life and medical protection for all employees in the General Fund, the Road and Bridge Fund, and the Fee Offices through its contract with a commercial insurance carrier. The County pays 100% of the employee premium for the program and 45% of family premiums for covered employees. Prior to fiscal year ended June 30, 2002, the County paid insurance premiums into the Insurance Fund (an internal service fund) from the General Fund and the Road and Bridge Fund to cover the medical costs of the covered employees. The County still maintains a small amount in this fund to pay the medical costs of those covered employees incurred prior to the adoption of the new insurance program, but that were not approved for final payment until after June 30, 2001. There were no approved claims paid out of the Insurance Fund for this fiscal year.

NOTE R – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
OTHER THAN MD&A**

McMINN COUNTY, TENNESSEE

**SCHEDULE OF CHANGES IN MCMINN COUNTY'S NET PENSION LIABILITY
(ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019
Total Pension Liability (Asset)						
Service cost	\$ 1,060,056	\$ 1,091,600	\$ 1,129,071	\$ 1,120,614	\$ 1,262,067	\$ 1,230,795
Interest	3,561,893	3,638,857	3,728,179	3,817,779	3,891,056	3,980,521
Differences between actual and expected experience	(784,897)	(582,624)	(672,700)	(610,319)	(892,363)	(916,416)
Change in assumptions	-	-	-	1,313,201	-	-
Benefit payments, including refunds of employee contributions	(2,603,798)	(3,081,017)	(2,907,673)	(3,055,176)	(2,978,257)	(3,012,695)
Net change in total pension liability	1,233,254	1,066,816	1,276,877	2,586,099	1,282,503	1,282,205
Total pension liability - beginning	47,733,748	48,967,002	50,033,818	51,310,695	53,896,794	55,179,297
Total pension liability - ending (a)	<u>\$ 48,967,002</u>	<u>\$ 50,033,818</u>	<u>\$ 51,310,695</u>	<u>\$ 53,896,794</u>	<u>\$ 55,179,297</u>	<u>\$ 56,461,502</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 755,409	\$ 392,050	\$ 382,097	\$ 537,446	\$ 546,375	\$ 551,405
Contributions - employee	622,258	626,191	612,288	650,525	680,031	661,159
Net investment income	7,819,985	1,643,662	1,406,797	5,934,826	4,674,162	4,405,546
Benefit payments, including refunds of employee contributions	(2,603,798)	(3,081,017)	(2,907,673)	(3,055,176)	(2,978,257)	(3,012,695)
Administrative expense	(19,852)	(24,023)	(34,614)	(38,629)	(44,142)	(40,872)
Other	-	-	3,705	(203,044)	-	-
Net change in plan fiduciary net position	6,574,002	(443,137)	(537,400)	3,825,948	2,878,169	2,564,543
Plan fiduciary net position - beginning	47,789,811	54,363,813	53,920,676	53,383,276	57,209,224	60,087,393
Plan fiduciary net position - ending (b)	<u>\$ 54,363,813</u>	<u>\$ 53,920,676</u>	<u>\$ 53,383,276</u>	<u>\$ 57,209,224</u>	<u>\$ 60,087,393</u>	<u>\$ 62,651,936</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ (5,396,811)</u>	<u>\$ (3,886,858)</u>	<u>\$ (2,072,581)</u>	<u>\$ (3,312,430)</u>	<u>\$ (4,908,096)</u>	<u>\$ (6,190,434)</u>
Plan fiduciary net position as a percentage of total pension liability	111.02%	107.77%	104.04%	106.15%	108.89%	110.96%
Covered - employee payroll	\$ 12,445,043	\$ 12,375,395	\$ 12,103,298	\$ 12,888,387	\$ 13,102,460	\$ 13,223,121
Net pension liability (asset) as a percentage of covered-employee payroll	-43.37%	-31.41%	-17.12%	-25.70%	-37.46%	-46.82%

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

**GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

McMINN COUNTY, TENNESSEE

SCHEDULE OF MCMINN COUNTY'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 755,409	\$ 392,050	\$ 382,097	\$ 408,562	\$ 546,375	\$ 551,405	\$ 526,596
Contributions in relation to the actuarially determined contribution	<u>755,409</u>	<u>392,050</u>	<u>382,097</u>	<u>537,446</u>	<u>546,375</u>	<u>551,405</u>	<u>526,596</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (128,884)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 12,445,043	\$ 12,375,395	\$ 12,103,298	\$ 12,888,387	\$ 13,102,460	\$ 13,223,121	\$ 12,628,201
Contributions as a percentage covered-employee payroll	6.07%	3.17%	3.16%	4.17%	4.17%	4.17%	4.17%

**GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

McMINN COUNTY, TENNESSEE

NOTES TO PENSION SCHEDULE

June 30, 2020

Valuation date: Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.
Cost of Living Adjustments	2.25 percent

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

McMINN COUNTY, TENNESSEE

SCHEDULE OF MCMINN COUNTY SCHOOLS' PROPORTIONATE SHARE OF THE NET PENSION ASSET TEACHER LEGACY PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019
McMinn County Schools's proportion of the net pension liability (asset)	0.538341%	0.552247%	0.562726%	0.554835%	0.540274%	0.545793%
McMinn County Schools's proportionate share of the net pension liability (asset) \$	(87,478)	\$ 226,219	\$ 3,516,723	\$ (181,533)	\$ (1,901,178)	\$ (5,611,738)
McMinn County Schools's covered-employee payroll	\$ 21,129,806	\$ 20,673,397	\$ 20,313,260	\$ 19,613,167	\$ 18,918,665	\$ 18,301,207
McMinn County Schools's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.414002%	1.094253%	17.31%	0.93%	-10.05%	-30.66%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%

*The amounts presented were determined as of June 30 of the prior fiscal year.

GASB 68 requires a 10 year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

McMINN COUNTY, TENNESSEE

**SCHEDULE OF MCMINN COUNTY SCHOOLS' CONTRIBUTIONS
TEACHER LEGACY PLAN OF TCRS**

Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 1,876,330	\$ 1,868,874	\$ 1,836,601	\$ 1,773,029	\$ 1,717,811	\$ 1,914,309	\$ 1,889,424
Contributions in relation to the actuarially determined contribution	<u>1,876,330</u>	<u>1,868,874</u>	<u>1,836,601</u>	<u>1,773,029</u>	<u>1,717,811</u>	<u>1,914,309</u>	<u>1,889,424</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
McMinn County Schools's covered-employee payroll	\$21,129,806	\$20,673,397	\$20,313,260	\$19,613,167	\$18,918,665	\$18,301,207	\$17,620,974
Contributions as a percentage of McMinn County Schools's covered-employee payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.72%

**GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

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

McMINN COUNTY, TENNESSEE

SCHEDULE OF MCMINN COUNTY SCHOOLS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) TEACHER RETIREMENT PLAN OF TCRS

Last Fiscal Year Ending June 30

	2015	2016	2017	2018	2019
McMinn County Schools' proportion of the net pension liability (asset)	0.276518%	0.258308%	0.362132%	0.378570%	0.409557%
McMinn County Schools' proportionate share of the net pension liability (asset)	\$ (11,124)	\$ (26,891)	\$ (95,542)	\$ (171,692)	\$ (231,189)
McMinn County Schools' covered payroll	\$ 574,530	\$ 1,136,567	\$ 2,376,825	\$ 3,308,232	\$ 4,334,240
McMinn County Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%	-4.02%	-5.19%	-5.33%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%

*The amounts presented were determined as of June 30 of the prior fiscal year.

**GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

McMINN COUNTY, TENNESSEE

**SCHEDULE OF MCMINN COUNTY SCHOOLS' CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS**

Last Fiscal Year Ending June 30

	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution (ADC)	\$ 14,363	\$ 28,451	\$ 95,073	\$ 53,949	\$ 84,078	\$ 192,445
Contribution in relation to the contractually required contribution	<u>22,981</u>	<u>45,463</u>	<u>95,073</u>	<u>132,330</u>	<u>84,078</u>	<u>192,445</u>
Contribution deficiency (excess)	<u>\$ (8,618)</u>	<u>\$ (17,012)</u>	<u>\$ -</u>	<u>\$ (78,381)</u>	<u>\$ -</u>	<u>\$ -</u>
McMinn County Schools' covered payroll	\$ 574,530	\$ 1,136,567	\$ 2,376,825	\$ 3,308,232	\$ 4,334,240	\$ 4,811,165
Contributions as a percentage of McMinn County Schools' covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%	4.00%

**GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

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

McMINN COUNTY, TENNESSEE

SCHEDULE OF CHANGES IN MCMINN COUNTY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Fiscal Year Ending June 30

	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 24,140	\$ 30,587	\$ 30,322
Interest	10,446	13,420	12,805
Changes in benefit terms	-	-	(1,005)
Differences between actual and expected experience	-	52,370	-
Change in assumptions	(6,257)	(2,184)	-
Benefit payments, including refunds of employee contributions	<u>(31,812)</u>	<u>(26,497)</u>	<u>(22,379)</u>
Net change in total OPEB liability	(3,483)	67,696	19,743
Total OPEB liability - beginning	<u>283,430</u>	<u>279,947</u>	<u>347,643</u>
Total OPEB liability - ending (a)	<u><u>\$ 279,947</u></u>	<u><u>\$ 347,643</u></u>	<u><u>\$ 367,386</u></u>
Covered - employee payroll	N/A	\$ 7,998,661	\$ 8,198,628
Total OPEB liability as a percentage of covered-employee payroll	N/A	4.74%	4.56%

**GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

McMINN COUNTY, TENNESSEE

**SCHEDULE OF CHANGES IN MCMINN COUNTY'S BOARD OF EDUCATION
TOTAL OPEB LIABILITY AND RELATED RATIOS**

Last Fiscal Year Ending June 30

	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 185,426	\$ 131,751	\$ 143,805
Interest	100,448	77,235	77,416
Differences between actual and expected experience	(63,387)	(858,092)	-
Change in assumptions	-	(8,743)	-
Benefit payments, including refunds of employee contributions	<u>(54,060)</u>	<u>(51,114)</u>	<u>(77,819)</u>
Net change in total OPEB liability	168,427	(708,963)	143,402
Total OPEB liability - beginning	<u>2,647,191</u>	<u>2,815,618</u>	<u>2,106,655</u>
Total OPEB liability - ending (a)	<u>\$ 2,815,618</u>	<u>\$ 2,106,655</u>	<u>\$ 2,250,057</u>
Covered - employee payroll	N/A	N/A	N/A
Total OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A

**GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

McMINN COUNTY, TENNESSEE

**SCHEDULE OF CHANGES IN MCMINN COUNTY'S BOARD OF EDUCATION -
TGOP TOTAL OPEB LIABILITY AND RELATED RATIOS**

Last Fiscal Year Ending June 30

	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 372,000	\$ 344,000	\$ 320,000
Interest	183,000	219,000	207,000
Differences between actual and expected experience	-	(788,000)	589,000
Change in assumptions	(283,000)	160,000	(473,000)
Benefit payments, including refunds of employee contributions	<u>(310,000)</u>	<u>(355,000)</u>	<u>(354,000)</u>
Net change in total OPEB liability	(38,000)	(420,000)	289,000
Total OPEB liability - beginning	<u>6,035,000</u>	<u>5,997,000</u>	<u>5,577,000</u>
Total OPEB liability - ending (a)	<u>\$ 5,997,000</u>	<u>\$ 5,577,000</u>	<u>\$ 5,866,000</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	<u>\$ 2,086,000</u>	<u>\$ 1,907,000</u>	<u>\$ 2,069,000</u>
Employer's proportionate share of the collective total OPEB liability	<u>\$ 3,911,000</u>	<u>\$ 3,670,000</u>	<u>\$ 3,797,000</u>
Covered - employee payroll	N/A	N/A	N/A
Total OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

**GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

OTHER SUPPLEMENTARY INFORMATION

McMINN COUNTY, TENNESSEE

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 7,131,196	\$ 7,131,196	\$ 7,244,308	\$ 113,112
Local sales tax	555,000	555,000	820,969	265,969
Hotel/Motel taxes	539,318	539,318	427,562	(111,756)
Other taxes	<u>1,045,652</u>	<u>1,045,652</u>	<u>1,204,278</u>	<u>158,626</u>
Total taxes	<u>9,271,166</u>	<u>9,271,166</u>	<u>9,697,117</u>	<u>425,951</u>
Intergovernmental revenues:				
State of Tennessee	2,394,149	2,689,934	2,120,761	(569,173)
United States Government	149,323	224,481	60,349	(164,132)
Other	<u>131,650</u>	<u>133,650</u>	<u>130,990</u>	<u>(2,660)</u>
Total intergovernmental revenues	<u>2,675,122</u>	<u>3,048,065</u>	<u>2,312,100</u>	<u>(735,965)</u>
Charges for services	<u>60,500</u>	<u>62,000</u>	<u>67,225</u>	<u>5,225</u>
Fines, forfeitures and penalties	<u>179,500</u>	<u>187,764</u>	<u>217,370</u>	<u>29,606</u>
Investment earnings	<u>80,000</u>	<u>80,000</u>	<u>132,815</u>	<u>52,815</u>
Miscellaneous	<u>340,000</u>	<u>389,278</u>	<u>392,644</u>	<u>3,366</u>
Total revenues	<u>12,606,288</u>	<u>13,038,273</u>	<u>12,819,271</u>	<u>(219,002)</u>
EXPENDITURES				
Current:				
General government:				
County Commission	166,576	166,576	144,528	22,048
County Mayor	279,027	279,027	242,895	36,132
County Attorney	44,896	44,896	42,289	2,607
Election Commission	281,253	281,253	259,775	21,478
Register of Deeds	41,490	41,490	19,522	21,968
Planning Commission	71,810	71,810	15,387	56,423
County buildings	489,154	489,154	419,378	69,776
Accounting and budgeting	643,596	643,596	608,614	34,982
Purchasing	10,000	10,000	8,573	1,427
Property Assessor's office	506,036	506,036	445,597	60,439

(continued)

McMINN COUNTY, TENNESSEE

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (continued)**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued)				
Current (continued):				
General government (continued):				
County Trustee	\$ 56,885	\$ 56,885	\$ 42,249	\$ 14,636
County Clerk	681,999	681,999	597,080	84,919
Audit services	39,500	39,500	39,500	-
Circuit Court	79,550	79,550	66,214	13,336
General Sessions Court	275,221	275,221	266,962	8,259
Drug Court	13,000	21,264	21,263	1
Chancery Court	313,333	313,333	268,079	45,254
Courtroom Security	203,279	220,829	217,566	3,263
Agricultural Extension Service	174,217	174,217	159,133	15,084
Soil conversation	43,928	43,928	43,123	805
Interest on notes	1,000	1,000	-	1,000
Tourism	179,755	450,203	445,956	4,247
Industrial development	407,192	461,855	178,355	283,500
Airport	53,600	53,600	40,805	12,795
Veterans' services	93,359	97,359	90,113	7,246
Other insurance	205,000	214,548	195,411	19,137
Trustee's commission	175,000	175,000	173,356	1,644
Employee benefits	<u>73,500</u>	<u>768,805</u>	<u>763,477</u>	<u>5,328</u>
Total general government	<u>5,603,156</u>	<u>6,662,934</u>	<u>5,815,200</u>	<u>847,734</u>
Public safety:				
Sheriff's department	2,085,452	2,166,677	1,986,003	180,674
Special patrols	472,745	522,023	511,137	10,886
Sexual Offender Registry	3,000	10,500	7,208	3,292
Jail	3,518,052	3,734,052	3,645,878	88,174
Juvenile services	367,402	367,402	338,242	29,160
Work release program	58,032	58,032	51,696	6,336
Fire prevention and control	142,341	193,341	157,602	35,739
Civil defense	432,218	432,218	432,211	7
Rescue squad	8,100	8,100	7,100	1,000
Other emergency management	199,733	249,733	236,437	13,296
County medical examiner	<u>47,000</u>	<u>110,000</u>	<u>92,874</u>	<u>17,126</u>
Total public safety	<u>7,334,075</u>	<u>7,852,078</u>	<u>7,466,388</u>	<u>385,690</u>

(continued)

McMINN COUNTY, TENNESSEE

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (continued)**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Current (continued):				
Health:				
Local health center	\$ 683,307	\$ 685,944	\$ 577,019	\$ 108,925
Ambulance service	20,700	20,700	(7,778)	28,478
Litter grant	48,900	53,900	34,426	19,474
Keep McMinn Beautiful	28,150	28,150	21,367	6,783
Other local health services	<u>60,918</u>	<u>60,918</u>	<u>50,939</u>	<u>9,979</u>
Total health	<u>841,975</u>	<u>849,612</u>	<u>675,973</u>	<u>173,639</u>
Social services:				
General welfare assistance	<u>7,532</u>	<u>7,532</u>	<u>6,272</u>	<u>1,260</u>
Culture and recreation:				
Public Library	148,355	148,355	148,355	-
Parks	<u>102,898</u>	<u>102,898</u>	<u>83,788</u>	<u>19,110</u>
Total culture and recreation	<u>251,253</u>	<u>251,253</u>	<u>232,143</u>	<u>19,110</u>
Total budgetary expenditures	<u>14,037,991</u>	<u>15,623,409</u>	<u>14,195,976</u>	<u>1,427,433</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	<u>(1,431,703)</u>	<u>(2,585,136)</u>	<u>(1,376,705)</u>	<u>1,208,431</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	38,262	33,262
Transfers in	<u>1,080,000</u>	<u>1,775,305</u>	<u>1,880,909</u>	<u>105,604</u>
Total other financing sources (uses)	<u>1,085,000</u>	<u>1,780,305</u>	<u>1,919,171</u>	<u>138,866</u>
Excess (deficiency) of revenues and other sources over (under) budgetary expenditures and other uses	<u>\$ (346,703)</u>	<u>\$ (804,831)</u>	542,466	<u>\$ 1,347,297</u>
Fund Balances				
Beginning			<u>7,579,990</u>	
Ending			<u>\$ 8,122,456</u>	

McMINN COUNTY, TENNESSEE

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

June 30, 2020

	<u>Special Revenue Funds</u>	
	<u>Law Library</u>	<u>Drug Control</u>
ASSETS		
Equity in pooled cash and investments	\$ 74,108	\$ 77,022
Receivables:		
Accounts	<u>-</u>	<u>7</u>
Total assets	<u>\$ 74,108</u>	<u>\$ 77,029</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued items and other payables	<u>\$ -</u>	<u>\$ 1,465</u>
Total liabilities	<u>-</u>	<u>1,465</u>
Fund Balances:		
Restricted	<u>74,108</u>	<u>75,564</u>
Total fund balances	<u>74,108</u>	<u>75,564</u>
Total liabilities and fund balances	<u>\$ 74,108</u>	<u>\$ 77,029</u>

<u>Fraud and Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 105,267	\$ 256,397
<u>2,835</u>	<u>2,842</u>
<u>\$ 108,102</u>	<u>\$ 259,239</u>
\$ -	\$ 1,465
<u>-</u>	<u>1,465</u>
<u>108,102</u>	<u>257,774</u>
<u>108,102</u>	<u>257,774</u>
<u>\$ 108,102</u>	<u>\$ 259,239</u>

McMINN COUNTY, TENNESSEE

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Year ended June 30, 2020

	Special Revenue Funds	
	Law Library	Drug Control
REVENUES		
Fines, forfeitures and penalties	\$ 3,509	\$ 86,232
Investment earnings	<u>-</u>	<u>130</u>
Total revenues	<u>3,509</u>	<u>86,362</u>
EXPENDITURES		
Current:		
General government	35	-
Public safety	<u>-</u>	<u>72,447</u>
Total expenditures	<u>35</u>	<u>72,447</u>
Net change in fund balances	3,474	13,915
Fund Balances		
Beginning	<u>70,634</u>	<u>61,649</u>
Ending	<u>\$ 74,108</u>	<u>\$ 75,564</u>

<u>Fraud and Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 47,139	\$ 136,880
<u>1,582</u>	<u>1,712</u>
<u>48,721</u>	<u>138,592</u>
90,258	90,293
<u>-</u>	<u>72,447</u>
<u>90,258</u>	<u>162,740</u>
(41,537)	(24,148)
<u>149,639</u>	<u>281,922</u>
<u>\$ 108,102</u>	<u>\$ 257,774</u>

McMINN COUNTY, TENNESSEE

**COMBINING BALANCE SHEET
CONSTITUTIONAL OFFICERS MAJOR GOVERNMENTAL FUND**

June 30, 2020

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 190,077	\$ 12,321	\$ (112,438)
Total assets	<u>\$ 190,077</u>	<u>\$ 12,321</u>	<u>\$ (112,438)</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	<u>190,077</u>	<u>12,321</u>	<u>(112,438)</u>
Total fund balances	<u>190,077</u>	<u>12,321</u>	<u>(112,438)</u>
Total liabilities and fund balances	<u>\$ 190,077</u>	<u>\$ 12,321</u>	<u>\$ (112,438)</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 16,343	\$ 356,077	\$ 1	\$ 462,381
<u>\$ 16,343</u>	<u>\$ 356,077</u>	<u>\$ 1</u>	<u>\$ 462,381</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>16,343</u>	<u>356,077</u>	<u>1</u>	<u>462,381</u>
<u>16,343</u>	<u>356,077</u>	<u>1</u>	<u>462,381</u>
<u>\$ 16,343</u>	<u>\$ 356,077</u>	<u>\$ 1</u>	<u>\$ 462,381</u>

McMINN COUNTY, TENNESSEE

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CONSTITUTIONAL OFFICERS MAJOR GOVERNMENTAL FUND**

Year ended June 30, 2020

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
REVENUES			
Charges for services	\$ 709,641	\$ 247,592	\$ 423,462
Investment earnings	<u>1,444</u>	<u>-</u>	<u>-</u>
Total revenues	<u>711,085</u>	<u>247,592</u>	<u>423,462</u>
EXPENDITURES			
Current:			
General government	<u>699,187</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>699,187</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>11,898</u>	<u>247,592</u>	<u>423,462</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(247,592)</u>	<u>(546,291)</u>
Total other financing sources (uses)	<u>-</u>	<u>(247,592)</u>	<u>(546,291)</u>
Net change in fund balances	11,898	-	(122,829)
Fund Balances			
Beginning	<u>178,179</u>	<u>12,321</u>	<u>10,391</u>
Ending	<u>\$ 190,077</u>	<u>\$ 12,321</u>	<u>\$ (112,438)</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 1,429,205	\$ 702,910	\$ -	\$ 3,512,810
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,444</u>
<u>1,429,205</u>	<u>702,910</u>	<u>-</u>	<u>3,514,254</u>
<u>1,429,673</u>	<u>248,037</u>	<u>-</u>	<u>2,376,897</u>
<u>1,429,673</u>	<u>248,037</u>	<u>-</u>	<u>2,376,897</u>
<u>(468)</u>	<u>454,873</u>	<u>-</u>	<u>1,137,357</u>
<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>(1,193,883)</u>
<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>(1,193,883)</u>
<u>(468)</u>	<u>54,873</u>	<u>-</u>	<u>(56,526)</u>
<u>16,811</u>	<u>301,204</u>	<u>1</u>	<u>518,907</u>
<u>\$ 16,343</u>	<u>\$ 356,077</u>	<u>\$ 1</u>	<u>\$ 462,381</u>

McMINN COUNTY, TENNESSEE

**CONSTITUTIONAL OFFICERS FEE AND COMMISSION ACCOUNTS
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND BALANCES**

Year ended June 30, 2020

	<u>Circuit, General Sessions and Probate Court Clerk</u>	<u>Clerk and Master</u>	<u>County Clerk</u>
REVENUE AND OTHER RECEIPTS			
Fees and commissions	\$ 709,641	\$ 247,592	\$ 423,462
Investment earnings	<u>1,444</u>	<u>-</u>	<u>-</u>
Total revenues	<u>711,085</u>	<u>247,592</u>	<u>423,462</u>
EXPENDITURES			
Current:			
General government			
Salaries - Office holder	87,705	-	-
Salaries - Staff	455,683	-	-
Employee benefits	90,101	-	-
Payroll taxes	39,914	-	-
Office expense	-	-	-
Miscellaneous	<u>25,784</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>699,187</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>11,898</u>	<u>247,592</u>	<u>423,462</u>
OTHER FINANCING SOURCES (USES)			
Transfers to General Fund	<u>-</u>	<u>(247,592)</u>	<u>(546,291)</u>
Total other financing sources (uses)	<u>-</u>	<u>(247,592)</u>	<u>(546,291)</u>
Net change in cash balances	11,898	-	(122,829)
Cash balances at beginning of year	<u>178,179</u>	<u>12,321</u>	<u>10,391</u>
Cash balances at end of year	<u>\$ 190,077</u>	<u>\$ 12,321</u>	<u>\$ (112,438)</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 272,721	\$ 702,910	\$ -	\$ 2,356,326
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,444</u>
<u>272,721</u>	<u>702,910</u>	<u>-</u>	<u>2,357,770</u>
87,616	87,705	-	263,026
85,280	97,390	-	638,353
30,228	49,569	-	169,898
13,197	13,359	-	66,470
20,902	-	-	20,902
<u>35,966</u>	<u>14</u>	<u>-</u>	<u>61,764</u>
<u>273,189</u>	<u>248,037</u>	<u>-</u>	<u>1,220,413</u>
<u>(468)</u>	<u>454,873</u>	<u>-</u>	<u>1,137,357</u>
<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>(1,193,883)</u>
<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>(1,193,883)</u>
(468)	54,873	-	(56,526)
<u>16,811</u>	<u>301,204</u>	<u>1</u>	<u>518,907</u>
<u>\$ 16,343</u>	<u>\$ 356,077</u>	<u>\$ 1</u>	<u>\$ 462,381</u>

McMINN COUNTY, TENNESSEE

**AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**

Year ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
CONSTITUTIONAL OFFICERS CIRCUIT, GENERAL SESSIONS AND PROBATE CLERK				
Cash	\$ 138,335	\$ 3,944,244	\$ 3,777,442	\$ 305,137
Investments	753,868	340,127	118,797	975,198
Total assets	<u>\$ 892,203</u>	<u>\$ 4,284,371</u>	<u>\$ 3,896,239</u>	<u>\$ 1,280,335</u>
Due to litigants, heirs and others	<u>\$ 892,203</u>	<u>\$ 4,284,371</u>	<u>\$ 3,896,239</u>	<u>\$ 1,280,335</u>
Total liabilities	<u>\$ 892,203</u>	<u>\$ 4,284,371</u>	<u>\$ 3,896,239</u>	<u>\$ 1,280,335</u>
CLERK AND MASTER				
Cash	\$ 49,508	\$ 1,531,205	\$ 1,484,413	\$ 96,300
Investments	436,999	56,430	30,777	462,652
Total assets	<u>\$ 486,507</u>	<u>\$ 1,587,635</u>	<u>\$ 1,515,190</u>	<u>\$ 558,952</u>
Due to litigants, heirs and others	<u>\$ 486,507</u>	<u>\$ 1,587,635</u>	<u>\$ 1,515,190</u>	<u>\$ 558,952</u>
Total liabilities	<u>\$ 486,507</u>	<u>\$ 1,587,635</u>	<u>\$ 1,515,190</u>	<u>\$ 558,952</u>
COUNTY CLERK				
Cash	<u>\$ 561,080</u>	<u>\$ 5,488,370</u>	<u>\$ 5,986,548</u>	<u>\$ 62,902</u>
Total assets	<u>\$ 561,080</u>	<u>\$ 5,488,370</u>	<u>\$ 5,986,548</u>	<u>\$ 62,902</u>
Intergovernmental payables	<u>\$ 561,080</u>	<u>\$ 5,488,370</u>	<u>\$ 5,986,548</u>	<u>\$ 62,902</u>
Total liabilities	<u>\$ 561,080</u>	<u>\$ 5,488,370</u>	<u>\$ 5,986,548</u>	<u>\$ 62,902</u>
REGISTER OF DEEDS				
Cash	<u>\$ 2,949</u>	<u>\$ 1,427,225</u>	<u>\$ 1,291,169</u>	<u>\$ 139,005</u>
Total assets	<u>\$ 2,949</u>	<u>\$ 1,427,225</u>	<u>\$ 1,291,169</u>	<u>\$ 139,005</u>
Intergovernmental payables	<u>\$ 2,949</u>	<u>\$ 1,427,225</u>	<u>\$ 1,291,169</u>	<u>\$ 139,005</u>
Total liabilities	<u>\$ 2,949</u>	<u>\$ 1,427,225</u>	<u>\$ 1,291,169</u>	<u>\$ 139,005</u>

(continued)

McMINN COUNTY, TENNESSEE

**AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (continued)**

Year ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
SHERIFF'S NARCOTIC DIVISION				
Cash	\$ 40,149	\$ 288,753	\$ 295,728	\$ 33,174
Total assets	<u>\$ 40,149</u>	<u>\$ 288,753</u>	<u>\$ 295,728</u>	<u>\$ 33,174</u>
Intergovernmental payables	\$ 40,149	\$ 288,753	\$ 295,728	\$ 33,174
Total liabilities	<u>\$ 40,149</u>	<u>\$ 288,753</u>	<u>\$ 295,728</u>	<u>\$ 33,174</u>
TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS				
Cash	\$ 792,021	\$ 12,679,797	\$ 12,835,300	\$ 636,518
Investments	<u>1,190,867</u>	<u>396,557</u>	<u>149,574</u>	<u>1,437,850</u>
Total assets	<u>\$ 1,982,888</u>	<u>\$ 13,076,354</u>	<u>\$ 12,984,874</u>	<u>\$ 2,074,368</u>
Due to litigants, heirs and others	\$ 1,378,710	\$ 5,872,006	\$ 5,411,429	\$ 1,839,287
Intergovernmental payables	<u>604,178</u>	<u>7,204,348</u>	<u>7,573,445</u>	<u>235,081</u>
Total liabilities	<u>\$ 1,982,888</u>	<u>\$ 13,076,354</u>	<u>\$ 12,984,874</u>	<u>\$ 2,074,368</u>
OTHER AGENCY FUNDS WITH TRUSTEE				
ATHENS SCHOOL FUND				
Receivables	\$ 2,106,200	\$ 2,349,982	\$ 2,106,200	\$ 2,349,982
Total assets	<u>\$ 2,106,200</u>	<u>\$ 2,349,982</u>	<u>\$ 2,106,200</u>	<u>\$ 2,349,982</u>
Accrued items and other	\$ 218,957	\$ 242,685	\$ 218,957	\$ 242,685
Intergovernmental payables	23,728	60,880	23,728	60,880
Deferred revenues	<u>1,863,515</u>	<u>2,046,417</u>	<u>1,863,515</u>	<u>2,046,417</u>
Total liabilities	<u>\$ 2,106,200</u>	<u>\$ 2,349,982</u>	<u>\$ 2,106,200</u>	<u>\$ 2,349,982</u>
ETOWAH SCHOOL FUND				
Receivables	\$ 486,616	\$ 513,581	\$ 486,616	\$ 513,581
Total assets	<u>\$ 486,616</u>	<u>\$ 513,581</u>	<u>\$ 486,616</u>	<u>\$ 513,581</u>
Accrued items and other	\$ 51,983	\$ 55,995	\$ 51,983	\$ 55,995
Intergovernmental payables	4,012	9,932	4,012	9,932
Deferred revenue	<u>430,621</u>	<u>447,654</u>	<u>430,621</u>	<u>447,654</u>
Total liabilities	<u>\$ 486,616</u>	<u>\$ 513,581</u>	<u>\$ 486,616</u>	<u>\$ 513,581</u>

(continued)

McMINN COUNTY, TENNESSEE

**AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (continued)**

Year ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
JUDICIAL DISTRICT DRUG FUND				
Cash	\$ 20,996	\$ 19,965	\$ 20,996	\$ 19,965
Receivables	<u>7,519</u>	<u>13,129</u>	<u>7,519</u>	<u>13,129</u>
Total assets	<u>\$ 28,515</u>	<u>\$ 33,094</u>	<u>\$ 28,515</u>	<u>\$ 33,094</u>
Accrued items and other	\$ 621	\$ 25	\$ 621	\$ 25
Intergovernmental payables	<u>27,894</u>	<u>33,069</u>	<u>27,894</u>	<u>33,069</u>
Total liabilities	<u>\$ 28,515</u>	<u>\$ 33,094</u>	<u>\$ 28,515</u>	<u>\$ 33,094</u>
TOTAL OTHER AGENCY FUNDS				
Cash	\$ 20,996	\$ 19,965	\$ 20,996	\$ 19,965
Receivables	<u>2,600,335</u>	<u>2,876,692</u>	<u>2,600,335</u>	<u>2,876,692</u>
Total assets	<u>\$ 2,621,331</u>	<u>\$ 2,896,657</u>	<u>\$ 2,621,331</u>	<u>\$ 2,896,657</u>
Accrued items and other	\$ 271,561	\$ 298,705	\$ 271,561	\$ 298,705
Intergovernmental payables	55,634	103,881	55,634	103,881
Deferred revenue	<u>2,294,136</u>	<u>2,494,071</u>	<u>2,294,136</u>	<u>2,494,071</u>
Total liabilities	<u>\$ 2,621,331</u>	<u>\$ 2,896,657</u>	<u>\$ 2,621,331</u>	<u>\$ 2,896,657</u>

County Clerk	Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 41,775	\$ -	\$ -	\$ -	\$ 1,018,297
-	1,202,546	-	-	1,202,546
-	-	-	-	1,872,813
2,528,902	-	-	-	2,528,902
25,727	-	-	-	25,727
-	-	-	-	-
-	-	21,129,689	-	21,709,802
1,841,954	-	-	-	1,863,455
-	-	-	-	-
450,066	-	-	-	450,066
136,450	-	-	-	136,450
-	-	74,799,489	-	74,799,489
5,176	-	-	-	707,130
-	-	-	-	78,185
-	-	-	288,753	532,935
-	-	-	-	197,112
423,462	224,679	702,910	-	2,212,804
-	-	-	-	140,034
-	-	-	-	40,825
34,858	-	-	-	191,870
<u>5,488,370</u>	<u>1,427,225</u>	<u>96,632,088</u>	<u>288,753</u>	<u>109,708,442</u>
41,775	-	-	-	1,964,065
-	-	-	-	77,813
4,436,685	1,038,052	-	-	6,109,048
-	-	-	-	310,748
1,084,626	-	-	-	2,604,113
-	-	-	295,728	295,728
-	-	92,870,634	-	92,870,634
-	-	-	-	-
423,462	224,679	702,910	-	2,297,831
-	28,438	-	-	28,438
<u>5,986,548</u>	<u>1,291,169</u>	<u>93,573,544</u>	<u>295,728</u>	<u>106,558,418</u>
(498,178)	136,056	3,058,544	(6,975)	3,150,024
<u>561,080</u>	<u>2,949</u>	<u>43,989,382</u>	<u>40,149</u>	<u>45,972,270</u>
<u>\$ 62,902</u>	<u>\$ 139,005</u>	<u>\$ 47,047,926</u>	<u>\$ 33,174</u>	<u>\$ 49,122,294</u>

McMINN COUNTY, TENNESSEE

**DRUG CONTROL SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

Year ended June 30, 2020

	Drug Control			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Fines, forfeitures and penalties	\$ 70,000	\$ 70,000	\$ 86,232	\$ 16,232
Investment earnings	300	300	130	(170)
Miscellaneous	<u>7,200</u>	<u>7,200</u>	<u>-</u>	<u>(7,200)</u>
Total revenues	<u>77,500</u>	<u>77,500</u>	<u>86,362</u>	<u>8,862</u>
EXPENDITURES				
Current:				
Public safety:				
Drug enforcement	<u>107,940</u>	<u>107,940</u>	<u>72,447</u>	<u>35,493</u>
Total budgetary expenditures	<u>107,940</u>	<u>107,940</u>	<u>72,447</u>	<u>35,493</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	<u>\$ (30,440)</u>	<u>\$ (30,440)</u>	13,915	<u>\$ 44,355</u>
FUND BALANCES				
Beginning			<u>61,649</u>	
Ending			<u>\$ 75,564</u>	

McMINN COUNTY, TENNESSEE

**CAPITAL PROJECTS GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

Year ended June 30, 2020

	Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes	\$ 3,838,958	\$ 3,838,958	\$ 3,928,928	\$ 89,970
Intergovernmental	-	331,000	329,883	(1,117)
Investment earnings	175,000	175,000	307,557	132,557
Miscellaneous	<u>200,000</u>	<u>200,000</u>	<u>479,540</u>	<u>279,540</u>
Total revenues	<u>4,213,958</u>	<u>4,544,958</u>	<u>5,045,908</u>	<u>500,950</u>
EXPENDITURES				
Current:				
General government	<u>75,000</u>	<u>75,000</u>	<u>572,112</u>	<u>(497,112)</u>
Capital outlay:				
General government	<u>13,744,255</u>	<u>13,744,255</u>	<u>2,139,458</u>	<u>11,604,797</u>
Total budgetary expenditures	<u>13,819,255</u>	<u>13,819,255</u>	<u>2,711,570</u>	<u>11,107,685</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	(9,605,297)	(9,274,297)	2,334,338	11,608,635
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(695,305)</u>	<u>(695,305)</u>	<u>(695,305)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (10,300,602)</u>	<u>\$ (9,969,602)</u>	1,639,033	<u>\$ 11,608,635</u>
FUND BALANCES				
Beginning			<u>19,361,541</u>	
Ending			<u>\$ 21,000,574</u>	

McMINN COUNTY, TENNESSEE

BOARD OF EDUCATION GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2020

	General Purpose School	Federal Projects	Cafeteria	Total Board of Education Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$ 3,913,542	\$ 275,000	\$ 1,700,567	\$ 5,889,109
Receivables (net of allowances for uncollectibles):				
Property taxes	7,049,029	-	-	7,049,029
Accounts	1,303,963	13	-	1,303,976
Due from primary government	401,253	-	-	401,253
Restricted assets	<u>188,225</u>	<u>-</u>	<u>-</u>	<u>188,225</u>
 Total assets	 <u>12,856,012</u>	 <u>275,013</u>	 <u>1,700,567</u>	 <u>14,831,592</u>
LIABILITIES				
Accounts payable	461,141	-	20	461,161
Accrued items and other	<u>256,081</u>	<u>-</u>	<u>384</u>	<u>256,465</u>
 Total liabilities	 <u>717,222</u>	 <u>-</u>	 <u>404</u>	 <u>717,626</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>7,016,681</u>	<u>-</u>	<u>-</u>	<u>7,016,681</u>
 Total deferred inflows of resources	 <u>7,016,681</u>	 <u>-</u>	 <u>-</u>	 <u>7,016,681</u>
FUND BALANCES				
Assigned	179,105	13	-	179,118
Committed	-	275,000	-	275,000
Restricted	317,402	-	1,700,163	2,017,565
Unassigned	<u>4,625,602</u>	<u>-</u>	<u>-</u>	<u>4,625,602</u>
 Total fund balances	 <u>5,122,109</u>	 <u>275,013</u>	 <u>1,700,163</u>	 <u>7,097,285</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 12,856,012</u>	 <u>\$ 275,013</u>	 <u>\$ 1,700,567</u>	 <u>\$ 14,831,592</u>

McMINN COUNTY, TENNESSEE

**RECONCILIATION OF THE BALANCE SHEET OF BOARD OF EDUCATION
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2020

Differences in amounts reported for the Board of Education in the statement of net position
on pages A-1 and A-2:

Fund balances - total Board of Education governmental funds	\$ 7,097,285
Amounts reported for the Board of Education in the statement of net position are different because:	
Capital assets used in the Board of Education's governmental activities are not financial resources and, therefore, are not reported in the funds.	26,516,756
Net pension asset	8,426,340
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	3,217,994
Deferred results and contributions to OPEB made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	187,440
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	299,925
Long-term liabilities applicable to the Board of Education's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities.	
Total OPEB liability	(6,047,506)
Compensated absences	(594,264)
Certain amounts related to the total OPEB liability are deferred amortized over time. The items are not reported in the funds.	(1,187,423)
Certain amounts related to the net pension asset are deferred amortized over time. The items are not reported in the funds.	<u>(5,703,491)</u>
Net position of the Board of Education	<u>\$ 32,213,056</u>

McMINN COUNTY, TENNESSEE

**BOARD OF EDUCATION GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

Year ended June 30, 2020

	General Purpose School	Federal Projects	Cafeteria	Total Board of Education Governmental Funds
REVENUES				
Taxes	\$ 11,889,602	\$ -	\$ -	\$ 11,889,602
Intergovernmental	29,478,920	4,568,255	3,020,899	37,068,074
Charges for services	24,901	-	380,817	405,718
Other local revenues	<u>259,124</u>	<u>-</u>	<u>-</u>	<u>259,124</u>
 Total revenues	 <u>41,652,547</u>	 <u>4,568,255</u>	 <u>3,401,716</u>	 <u>49,622,518</u>
EXPENDITURES				
Current:				
Education	40,961,344	4,509,923	3,424,687	48,895,954
Capital outlay	<u>250,734</u>	<u>-</u>	<u>-</u>	<u>250,734</u>
 Total expenditures	 <u>41,212,078</u>	 <u>4,509,923</u>	 <u>3,424,687</u>	 <u>49,146,688</u>
 Excess of revenues over expenditures	 <u>440,469</u>	 <u>58,332</u>	 <u>(22,971)</u>	 <u>475,830</u>
 Other financing sources (uses)				
Transfers from other funds	58,332	-	-	58,332
Transfers to other fund	<u>-</u>	<u>(58,332)</u>	<u>-</u>	<u>(58,332)</u>
 Excess (deficiency) of revenues and other sources over expenditures and other uses	 498,801	 -	 (22,971)	 475,830
 Fund balances, beginning as restated	 <u>4,623,308</u>	 <u>275,013</u>	 <u>1,723,134</u>	 <u>6,621,455</u>
 Fund balances, ending	 <u>\$ 5,122,109</u>	 <u>\$ 275,013</u>	 <u>\$ 1,700,163</u>	 <u>\$ 7,097,285</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2020

Differences in amounts reported for governmental activities in the statement of activities
on pages A-3 and A-4:

Net change in fund balances - total Board of Education governmental funds	\$ 475,830
Amounts reported for the Board of Education in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position	250,734
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities	(2,366,509)
Certain items 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 compensated absences	38,109
Change in net pension asset and related deferrals	1,332,432
Change in total OPEB liability and related deferrals	(162,198)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds	<u>(62,415)</u>
Change in net position of governmental activities	<u>\$ (494,017)</u>

McMINN COUNTY, TENNESSEE

**BOARD OF EDUCATION GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 6,768,565	\$ 6,768,565	\$ 6,806,639	\$ 38,074
Local sales tax	4,170,000	4,375,000	4,912,854	537,854
Other	<u>144,009</u>	<u>156,541</u>	<u>170,109</u>	<u>13,568</u>
Total taxes	<u>11,082,574</u>	<u>11,300,106</u>	<u>11,889,602</u>	<u>589,496</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	29,211,115	29,489,643	29,303,753	(185,890)
Federal funds received from State of Tennessee and other sources:				
Education	17,748	171,224	135,835	(35,389)
Food service	31,000	31,000	31,383	383
Federal projects	6,478,175	7,525,375	7,560,103	34,728
Other Government and Citizens Groups	<u>-</u>	<u>24,500</u>	<u>37,000</u>	<u>12,500</u>
Total intergovernmental revenues	<u>35,738,038</u>	<u>37,241,742</u>	<u>37,068,074</u>	<u>(173,668)</u>
Charges for services:				
Education	26,000	27,000	24,901	(2,099)
Food service	<u>498,200</u>	<u>490,400</u>	<u>380,817</u>	<u>(109,583)</u>
Total charges for services	<u>524,200</u>	<u>517,400</u>	<u>405,718</u>	<u>(111,682)</u>
Miscellaneous:				
Investment earnings	45,000	45,000	48,443	3,443
Contributions	10,000	15,000	19,100	4,100
Sale of equipment	15,000	15,000	8,403	(6,597)
Other	<u>52,000</u>	<u>71,190</u>	<u>183,178</u>	<u>111,988</u>
Total miscellaneous	<u>122,000</u>	<u>146,190</u>	<u>259,124</u>	<u>112,934</u>
Total revenues	<u>47,466,812</u>	<u>49,205,438</u>	<u>49,622,518</u>	<u>417,080</u>

(continued)

McMINN COUNTY, TENNESSEE

**BOARD OF EDUCATION GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (continued)**

Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Education:				
Regular education program	\$21,614,278	\$21,982,544	\$22,173,389	\$ (190,845)
Alternative instruction program	155,902	155,902	152,870	3,032
Special education program	3,716,258	3,871,539	3,845,489	26,050
Vocational education program	2,274,495	2,341,631	2,278,023	63,608
L.E.A.P.S. program	-	171,918	130,032	41,886
Other	85,607	216,526	64,448	152,078
Attendance	155,238	180,238	177,377	2,861
Health services	131,000	131,000	119,572	11,428
Other student support	1,274,575	1,346,807	1,087,690	259,117
Regular education support	3,015,453	3,528,252	3,108,841	419,411
Special education support	511,235	580,439	563,346	17,093
Vocational education support	192,480	192,372	189,578	2,794
Technology	262,037	262,337	262,238	99
Other programs	-	94,879	78,536	16,343
Board of education	813,533	824,033	817,654	6,379
Office of superintendent	342,725	382,725	382,697	28
Office of principal	2,698,494	2,698,494	2,660,341	38,153
Operation of plant	3,152,638	3,152,638	2,984,259	168,379
Maintenance of plant	1,417,280	1,417,280	941,673	475,607
Transportation	2,514,232	2,514,232	2,421,500	92,732
Community Services	17,748	17,748	15,917	1,831
Early childhood	1,015,797	1,015,796	1,015,797	(1)
Food services	<u>3,412,107</u>	<u>3,523,623</u>	<u>3,424,687</u>	<u>98,936</u>
Total education	48,773,112	50,602,953	48,895,954	1,706,999
Capital outlay:				
Building improvements	<u>308,882</u>	<u>308,882</u>	<u>250,734</u>	<u>58,148</u>
Total budgetary expenditures	<u>49,081,994</u>	<u>50,911,835</u>	<u>49,146,688</u>	<u>1,765,147</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	67,390	67,390	58,332	(9,058)
Transfers to other funds	<u>(67,390)</u>	<u>(67,390)</u>	<u>(58,332)</u>	<u>(9,058)</u>
Excess (deficiency) of revenues and other sources over budgetary expenditures and other uses	<u>\$ (1,615,182)</u>	<u>\$ (1,706,397)</u>	\$ 475,830	<u>\$ 2,164,111</u>
Fund Balances				
Beginning, as restated			<u>6,621,455</u>	
Ending			<u>\$ 7,097,285</u>	

McMINN COUNTY, TENNESSEE

SCHEDULE OF PROPERTY TAXES RECEIVABLE

June 30, 2020

Year of Levy	Net Amount
2020 *	\$ 19,984,878
2019	1,268,546
2018	977,532
2017	364,185
2016	173,210
2015	133,680
2014	96,423
2013	22,080
Prior Years	<u>429,765</u>
	23,450,299
Less: Estimated uncollectible taxes	<u>2,050,000</u>
 Total property taxes receivable	 <u><u>\$ 21,400,299</u></u>

The above outstanding receivables are recorded in the McMinn County, Tennessee financial statements at June 30, 2020, as follows:

Government wide funds:	
General fund	\$ 7,095,815
Road and bridge fund	1,615,189
Capital projects fund	3,678,403
Component unit funds:	
Board of education	6,716,756
Accounted for in agency funds:	
Athens school funds	1,863,515
Etowah school funds	<u>430,621</u>
 Total property taxes receivable	 <u><u>\$ 21,400,299</u></u>

* Accrual of the anticipated current year levy is required by GASB Statement No. 33.

McMINN COUNTY, TENNESSEE

SCHEDULE OF INVESTMENTS BY FUND

June 30, 2020

OFFICE OF TRUSTEE

POOLED INVESTMENTS Varies \$ 17,573,842

CERTIFICATE OF DEPOSIT:

Southeast Bank Varies 14,813,124

Southeast Bank - Woods Varies 4,337,061

Total Office of Trustee \$ 36,724,027

OFFICE OF CIRCUIT, GENERAL SESSION AND PROBATE CLERK

COURT ORDERED INVESTED FUNDS:

Simmons Bank Varies \$ 855,867

Athens Federal Savings & Loan Varies 136,624

Total Office of Circuit, General Sessions
and Probate Clerk \$ 992,491

OFFICE OF CLERK AND MASTER

COURT ORDERED INVESTED FUNDS:

CapStar Bank Varies \$ 86,262

Simmons Bank Varies 345,920

Total Office of Clerk and Master \$ 432,182

McMINN COUNTY, TENNESSEE

**COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND BALANCES
EQUITY IN POOLED CASH AND INVESTMENTS WITH TRUSTEE**

Year ended June 30, 2020

	<u>Balance</u> <u>June 30, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Commissions and Transfers</u>
Primary Government				
Governmental Activities:				
General Fund	\$ 7,545,662	\$ 17,159,566	\$ 16,857,806	\$ 173,356
Road and Bridge	1,904,805	5,639,497	5,894,405	60,381
Capital projects	19,403,776	5,695,007	4,046,981	72,625
Woods Hospital Proceeds	4,207,234	131,249	9,859	1,313
Other Governmental Funds:				
Law Library	70,634	3,509	-	35
Drug Control	79,718	88,185	90,550	-
Fraud and Economic Crimes	151,152	47,810	92,142	422
Business-type Activities:				
Solid Waste Disposal	2,539,714	1,737,948	995,291	6,912
Internal Service	77,593	3,663,755	3,318,358	-
Discretely Presented Component Units:				
Board of Education:				
General Purpose School	4,553,310	42,185,065	42,028,693	258,599
School Federal Projects	107,147	4,285,635	4,135,547	-
School Cafeteria	1,736,101	3,147,945	3,151,249	-
E-911 District	1,536,676	1,559,101	1,384,486	8,844
Agency Funds:				
Athens School	-	3,434,672	3,383,225	51,447
Etowah School	-	758,810	746,983	11,827
Judicial District Drug	75,860	421,526	475,477	-
City Sales tax	-	5,714,844	5,657,696	57,148
	43,989,382	95,674,124	92,268,748	702,909
Trustee Commissions	<u>301,204</u>	<u>702,909</u>	<u>648,036</u>	<u>-</u>
Total all funds	<u>\$ 44,290,586</u>	<u>\$ 96,377,033</u>	<u>\$ 92,916,784</u>	<u>\$ 702,909</u>

Funds held by County Trustee:

- Cash on hand
- Checking - Simmons
- Certificates of deposit

Trustee Balance June 30, 2020	Outstanding Warrants	Balance June 30, 2020
\$ 7,674,066	\$ 389,876	\$ 7,284,190
1,589,516	409,530	1,179,986
20,979,177	60,016	20,919,161
4,327,311	181	4,327,130
74,108	-	74,108
77,353	331	77,022
106,398	1,131	105,267
3,275,459	60,842	3,214,617
422,990	31,432	391,558
4,451,083	537,541	3,913,542
257,235	71,418	185,817
1,732,797	32,231	1,700,566
1,702,447	94,971	1,607,476
-	-	-
-	-	-
21,909	1,945	19,964
-	-	-
46,691,849	1,691,445	45,000,404
356,077	-	356,077
<u>\$ 47,047,926</u>	<u>\$ 1,691,445</u>	<u>\$ 45,356,481</u>
609,788		
9,491,469		
<u>36,946,669</u>		
<u>\$ 47,047,926</u>		

McMINN COUNTY, TENNESSEE

SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS

June 30, 2020

<u>Official</u>	<u>Amount of Salary</u>	<u>Statutory Provisions for Salary</u>	<u>Amount of Bond</u>	<u>Surety</u>	<u>Expiration Date</u>
County Mayor	\$ 112,000	County Commission	\$ 400,000	Tennessee Risk Management Trust	6/30/2020
Director of Finance	102,503	Section 5-21-109, T.C.A	400,000	Tennessee Risk Management Trust	6/30/2020
Commissioner of Highways	99,813	Section 8-24-102, T.C.A	400,000	Tennessee Risk Management Trust	6/30/2020
Trustee	90,740	Section 8-24-102, T.C.A	1,525,796	Cincinnati Insurance Company	8/31/2022
Assessor of Property	90,740	Section 8-24-104 (B), T.C.	400,000	Tennessee Risk Management Trust	6/30/2020
Administrator of Schools	117,160	State Board of Education and School Boards	400,000	Tennessee Risk Management Trust	6/30/2020
<u>Constitutional Officers:</u>					
Circuit, General Sessions, and Probate Court Clerk	90,740	Section 8-24-102, T.C.A	400,000	Tennessee Risk Management Trust	6/30/2020
Clerk and Master	90,740	Section 8-24-102, T.C.A	400,000	Tennessee Risk Management Trust	6/30/2020
County Clerk	90,740	Section 8-24-102, T.C.A	400,000	Tennessee Risk Management Trust	6/30/2020
Register of Deeds	90,740	Section 8-24-102, T.C.A	400,000	Tennessee Risk Management Trust	6/30/2020
Sheriff	99,813	Section 8-24-102, T.C.A	400,000	Tennessee Risk Management Trust	6/30/2020

McMINN COUNTY, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS

June 30, 2020

Year	Tax Rate	ASSESSED VALUES			Total Taxes
		Property, Personal and Real	Total Utilities	Total	
2020	1.547%	\$ 1,330,752,618	\$ 52,815,772	1,383,568,390	\$ 21,403,803
2019	1.547%	1,321,070,981	50,672,894	1,371,743,875	21,220,878
2018	1.616%	1,155,448,691	47,320,668	1,202,769,359	19,436,753
2017	1.616%	1,126,395,366	50,844,740	1,177,240,106	19,024,200
2016	1.616%	1,098,632,944	48,869,740	1,147,502,684	18,543,643
2015	1.616%	1,071,624,092	44,062,252	1,115,686,344	18,029,491
2014	1.616%	1,077,260,135	41,170,235	1,118,430,370	18,073,835
2013	1.555%	1,131,582,629	41,183,408	1,172,766,037	18,236,512
2012	1.555%	1,159,803,070	38,629,839	1,198,432,909	18,635,632
2011	1.555%	1,149,657,665	39,149,646	1,188,807,311	18,485,954

* Based upon estimated assessed values for Public Utilities

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT			
Community Development Block Grant - Riceville Utilities	14.228	33004-58117	\$ 123,501
Hospital Assistance for EMS Grant		33007-34619	50,000
Total U.S. Department of Economic & Community Development			173,501
U.S. DEPARTMENT OF ELECTIONS			
Computer Grant	90.404	30501-01919-54	1,820
Voting System Grant	90.404	30501-01320-06	160,000
Total U.S. Department of Elections			161,820
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Tennessee Emergency Management Agency:			
Emergency Management Performance	97.042	34101-09420	35,175
Emergency Management Performance	97.042	34101-28415	34,861
Homeland Security Grant	97.067	55815-25721	25,488
Total U.S. Department of Homeland Security			95,524
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Tennessee Department of Transportation			
Airport UAS Obstruction	20.106	54-555-0157-20	14,080
Airport REIL & PAPI Replacement	20.106	54-555-0154-19	12,302
Governor's Highway Safety	20.607	Z-19-THS159	9,620
Governor's Highway Safety	20.607	Z-20-THS180	224
Total U.S. Department of Transportation			36,226
Total Expenditures of Federal Awards - Primary Government			467,071
COMPONENT UNITS:			
<i>McMinn Board of Education</i>			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	None	903,154
Commodities	10.555	None	265,368
National School Lunch Program	10.555	None	1,724,142
Total U.S. Department of Agriculture			2,892,664

(continued)

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)
Year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through Tennessee Department of Education:			
Title I Grant to Local Educational Agencies			
Title I Grant - Improving Academic Achievement	84.010A	None	\$ 1,676,713
Total Title I Grant Cluster			<u>1,676,713</u>
Special Education Cluster (IDEA)			
Individuals with Disabilities Act - Pre-School	84.173A	None	25,124
Individuals with Disabilities Act - Pre-School Discretionary	84.173A	None	5,382
Individuals with Disabilities Act - Pre-K Discretionary	84.173A	None	2,690
Individuals with Disabilities Act - Part B Discretionary Grant	84.027A	None	1,440,174
Total Special Education Cluster (IDEA)			<u>1,473,370</u>
Title II, Part A, Training	84.367A	None	295,482
Title III	84.365A	None	10,837
Title IV, Part B, Twenty-first CCLU	84.287C	None	38,147
Title IV	84.424A	None	12,290
Carl Perkins, Vocational Education	84.048A	None	<u>164,715</u>
Total passed through Tennessee Department of Education			<u>521,471</u>
Total U.S. Department of Education			<u>3,671,554</u>
Total Expenditures of Federal Awards - Component Units			<u>6,564,218</u>
Total Expenditures of Federal Awards - Reporting Entity			<u>7,031,289</u>

(continued)

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)
Year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
State Grants			
Department of Education			
State LEAPS Grant	N/A	119-12-03-030	\$ 130,032
Vocational Rehab Grant	N/A	Z17-51417	75,959
State Funded Pre-K Pilot Grant	N/A	MX4-AAX	1,015,797
Coordinated School Health	N/A	N/A	119,572
Safe Schools Act of 1998	N/A	N/A	105,920
CTE Perkins Reserve	N/A	N/A	45,976
ATSI	N/A	N/A	242,430
IDEA Technology Partnership	N/A	N/A	4,704
IDEA Discretionary Supplemental	N/A	N/A	33,329
Department of Transportation			
Airport Maintenance	N/A	52-555-0453-19	17,864
Litter Grant	N/A	54-500-4020-04	27,538
State Aide	N/A	54-SAR1-S8-026	583,309
Department of Health			
DGA Grant	N/A	GG-19-60154-00	484,238
Special Needs	N/A	GG-18-55917-00	44,772
Healthy Built Environment	N/A	Z-19-194796-00	20,000
Department of Environment & Conservation			
Recreational Trails Program	N/A	32701-03594	238,215
Commission of Children and Youth			
Juvenile Assistance Supplement	N/A	35910-03607	9,000
Juvenile Assistance Reimbursement	N/A	31601-2022	<u>1,755</u>
Total Expenditures of State Awards			<u>3,200,410</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 10,231,699</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2020

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the County for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the net position or the changes in net position of the County.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE C. INDIRECT COST RATE

The County uses the 2.0% indirect cost rate allowed under the Uniform Guidance.



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

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

To the Honorable Mayor and the
Board of Commissioners
McMinn County, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise McMinn County's basic financial statements and have issued our report thereon dated January 18, 2021. Our report includes a reference to other auditors who audited the financial statements of McMinn County Emergency Communications District's financial statements as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and the report of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
January 18, 2021

Henderson Hutcherson
& McCullough, PLLC



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable Mayor and the
Board of Commissioners
McMinn County, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the compliance of McMinn County, Tennessee, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on each of the McMinn County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, McMinn County, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of McMinn County, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McMinn County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee
January 18, 2021

Henderson Hutcherson
& McCullough, PLLC

MCMINN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
 - Significant deficiencies that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies that are not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title 1, Part A, Improving Academic Achievement

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MCMINN COUNTY, TENNESSEE

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2020

None reported.

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

**HIWASSEE UTILITY COMMISSION
OF BRADLEY AND MCMINN COUNTIES, TENNESSEE**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2020

HIWASSEE UTILITIES COMMISSION

Financial Statements

June 30, 2020 and 2019

HIWASSEE UTILITIES COMMISSION

Financial Statements

June 30, 2020 and 2019

C O N T E N T S

	Page
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 4
FINANCIAL STATEMENTS	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13
SUPPLEMENTAL INFORMATION	
Schedule of Additions and Retirements to Utility Plant	14
Schedule of Insurance Coverage	15
Schedule of Utility Rates in Force	16
Schedule of Age of Accounts Receivable	17
Schedule of Officers	18
Schedules of Bond Principal and Interest Requirements	19
Schedule of Changes in Long-Term Debt by Issue	20
Schedule of Unaccounted for Water - Reporting Worksheet	21
Schedule of Unaccounted for Water - Performance Indicators	22
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23 - 24
Schedule of Findings and Questioned Costs	25
Schedule of Prior Year Findings and Questioned Costs	26
Management's Corrective Action Plan	27

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hiwassee Utilities Commission
Charleston, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Hiwassee Utilities Commission as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Board'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hiwassee Utilities Commission as of June 30, 2020 and 2019, and the respective changes in financial position and

cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Board's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information schedules reported on pages 14 through 22 have not been subjected to the auditing procedures applied in the audits 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 December 3, 2020, on our consideration of Hiwassee Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of 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 Hiwassee Utilities Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hiwassee Utilities Commission's internal control over financial reporting and compliance.

WedgeWood Accounting, PLLC
WEDGEWOOD ACCOUNTING, PLLC
Certified Public Accountants

Cleveland, Tennessee

December 3, 2020

HIWASSEE UTILITIES COMMISSION*Management's Discussion and Analysis**June 30, 2020 and 2019***The Board of Hiwassee Utilities Commission**

Management's Discussion and Analysis

June 30, 2020 and 2019

The Board of Hiwassee Utilities Commission (the "Board") presents below an analysis of the financial condition and activities as of and for the years ended June 30, 2020 and 2019. Management's Discussion and Analysis is intended to serve as an introduction to the entity's Financial Statements. This information should be read in conjunction with the audited Financial Statements that follow this section.

Financial Statement Overview

The Statements of Net Position include the assets, liabilities and deferred inflows/outflows of Hiwassee Utilities Commission that represent available resources and required obligations, with the difference reported as net position. The change in net position is a potential indicator of the improving or deteriorating financial position of Hiwassee Utilities Commission. The change in net position is a function of the revenues and expenses, which are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Revenues are recorded as they are earned and expenses are recorded when incurred (regardless of cash requirements). Cash activity for the period is presented in the Statements of Cash Flows, and the activity is segmented between operating, investing and financing activities. In addition, the Notes to the Financial Statements offer additional information to provide a full understanding of the financial activity and position of Hiwassee Utilities Commission.

Financial Highlights

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 3,453,040	\$ 2,947,016	\$ 2,604,680
Capital assets	10,520,070	11,115,349	11,667,416
Other assets	727,100	742,924	761,690
Total assets	<u>14,700,210</u>	<u>14,805,289</u>	<u>15,033,786</u>
Deferred outflows of resources	408,767	427,347	445,928
Current liabilities	358,757	351,548	452,730
Non-current liabilities	9,826,417	10,161,026	10,495,636
Total liabilities	<u>10,185,174</u>	<u>10,512,574</u>	<u>10,948,366</u>
Net investment in capital assets	772,420	1,051,670	1,297,708
Unrestricted	3,551,383	3,068,392	2,630,700
Restricted	600,000	600,000	602,940
Total net position	<u>4,923,803</u>	<u>4,720,062</u>	<u>4,531,348</u>
Operating revenues	3,335,622	3,165,171	2,940,111
Operating expenses	2,841,831	2,669,882	2,584,299
Operating income	<u>493,791</u>	<u>495,289</u>	<u>355,812</u>
Non-operating revenues (expenses)			
Interest expense	(314,119)	(325,119)	(335,000)
Interest income	19,459	13,934	9,430
Loss on disposal of assets	0	0	(399,583)
Refunding bond issuance costs	0	0	0
Bond premium amortization	4,610	4,610	4,610
Total non-operating revenues (expenses)	<u>(290,050)</u>	<u>(306,575)</u>	<u>(720,543)</u>
Change in net position	<u>203,741</u>	<u>188,714</u>	<u>(364,731)</u>

HIWASSEE UTILITIES COMMISSION

Management's Discussion and Analysis

June 30, 2020 and 2019

Financial Highlights - (Continued)

As indicated on the previous page under Financial Highlights, operating revenues for the current year versus the prior year increased \$170,451, or approximately 5.39%, which is due to customer growth. Operating expenses for the current year versus the prior year increased \$171,948, or approximately 6.44%, which is due to minimal increases in several expense accounts.

Capital Assets

During the year ended June 30, 2020, there were four additions to capital assets totaling \$48,934.85. These assets included the ChemTrac Streaming Current Detectors, Number 7 Valve Replacement, Insource Software, and Dell Servers. The Air Compressor/Maintenance Building, Disinfection Modifications, North Bladder Tank Replacement, 2020 Facilities Painting Project, Number 3 Filter Leak Ground Investigation, Number 1 Filter Valve Bay Replacement, and Row Water South Meter Replacement are still currently works in process. These projects are expected to be completed and placed in service in a subsequent fiscal year. The expenses associated with these projects incurred prior to June 30, 2020, were reclassified to Construction in Progress, as shown on the Statements of Net Position.

Long-Term Debt

During the year ended June 30, 2020, Hiwassee Utilities Commission entered into no additional notes. The Series 2015 bonds will be paid off according to the amortization schedules included on pages 12 and 19. No additional principal is being paid.

Revenue

Cleveland Utilities is the major source of revenue for Hiwassee Utilities Commission. Cleveland Utilities, Athens Utility Board, Calhoun-Charleston Utility District of McMinn and Bradley Counties, McMinn County and Riceville Utility District are under contract with Hiwassee Utilities Commission for a minimum commodity charge. If usage drops below the agreed level, the minimum charge must be paid as per the schedule on page 16 in the supplemental information to the Financial Statements.

HIWASSEE UTILITIES COMMISSION

Statements of Net Position

June 30, 2020 and 2019

	June 30, 2020	June 30, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,893,687	\$ 2,536,478
Accounts receivable (customers)	272,715	258,612
Construction in progress	258,251	128,253
Prepaid expenses	28,387	23,673
Total Current Assets	<u>\$ 3,453,040</u>	<u>\$ 2,947,016</u>
Non-Current Assets:		
Capital Assets		
Land and easements	\$ 102,174	\$ 102,174
Other assets, net of accumulated depreciation	10,417,896	11,013,175
Total Capital Assets	<u>\$ 10,520,070</u>	<u>\$ 11,115,349</u>
Other Assets:		
Investments - restricted	\$ 600,000	\$ 600,000
Deposits	500	500
Feasibility studies, net of amortization	126,600	142,424
Total Other Assets	<u>\$ 727,100</u>	<u>\$ 742,924</u>
TOTAL ASSETS	<u>\$ 14,700,210</u>	<u>\$ 14,805,289</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	\$ 408,767	\$ 427,347
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 408,767</u>	<u>\$ 427,347</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,108,977</u>	<u>\$ 15,232,636</u>

	June 30, 2020	June 30, 2019
LIABILITIES		
Current Liabilities:		
Current maturities of long-term debt	\$ 330,000	\$ 330,000
Accounts payable	27,500	20,633
Other current liabilities	1,257	915
Total Current Liabilities	<u>\$ 358,757</u>	<u>\$ 351,548</u>
Non-Current Liabilities:		
Long-term debt, net of current maturities	\$ 9,826,417	\$ 10,161,026
Total Non-Current Liabilities	<u>\$ 9,826,417</u>	<u>\$ 10,161,026</u>
TOTAL LIABILITIES	<u>\$ 10,185,174</u>	<u>\$ 10,512,574</u>
NET POSITION		
Net investment in capital assets	\$ 772,420	\$ 1,051,670
Unrestricted	3,551,383	3,068,392
Restricted	600,000	600,000
TOTAL NET POSITION	<u>\$ 4,923,803</u>	<u>\$ 4,720,062</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 15,108,977</u>	<u>\$ 15,232,636</u>

HIWASSEE UTILITIES COMMISSION

*Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019*

	For the Year Ending June 30, 2020	For the Year Ending June 30, 2019
Operating Revenues:		
Water revenue	\$ 3,335,622	\$ 3,165,171
Operating Expenses:		
Contracted plant operations	\$ 446,597	\$ 370,387
Contracted plant overhead	271,172	224,723
Electricity	595,906	590,602
Lab supplies, analysis and reports	7,064	6,111
Chemicals	177,701	145,939
Sampling	15,002	11,950
Sludge disposal	103,705	54,667
Security and safety	1,313	8,201
Telephone and communications	15,145	12,579
Longevity pay	5,642	5,113
Property insurance	28,810	29,355
Other fees, permits and professional services	60,711	45,594
Office supplies and small equipment	4,479	4,824
Commission expense	9,110	9,230
Salary - office manager	38,129	37,011
Payroll taxes	3,130	4,145
Maintenance	379,596	390,421
Provision for depreciation and amortization	678,619	719,030
Total operating expenses	<u>\$ 2,841,831</u>	<u>\$ 2,669,882</u>
Operating Income	<u>\$ 493,791</u>	<u>\$ 495,289</u>
Non-operating revenues (expenses)		
Interest expense	\$ (314,119)	\$ (325,119)
Interest income	19,459	13,934
Loss on disposal of assets	0	0
Bond premium amortization	4,610	4,610
Total non-operating revenues (expenses)	<u>\$ (290,050)</u>	<u>\$ (306,575)</u>
Change in net position	\$ 203,741	\$ 188,714
Net position, beginning of year	<u>4,720,062</u>	<u>4,531,348</u>
Net position, end of year	<u>\$ 4,923,803</u>	<u>\$ 4,720,062</u>

HIWASSEE UTILITIES COMMISSION*Statements of Cash Flows**For the Years Ended June 30, 2020 and 2019*

	For the Year Ending June 30, 2020	For the Year Ending June 30, 2019
Cash flows from operating activities:		
Receipts from customers	\$ 3,321,519	\$ 3,164,297
Payments to suppliers for goods and services	(2,119,800)	(2,019,969)
Payments to employees for services	(40,917)	(41,117)
Net cash provided by operating activities	<u>\$ 1,160,802</u>	<u>\$ 1,103,211</u>
Cash flows from capital and related financing activities:		
Plant asset additions	\$ (48,935)	\$ (132,558)
Construction in progress placed in service/(additions)	(129,998)	(90,372)
Change in investments	0	2,940
Payment of principal on long-term debt	(330,000)	(320,000)
Payment of interest on long-term debt	(314,119)	(325,119)
Net cash used in capital and related financing activities	<u>\$ (823,052)</u>	<u>\$ (865,109)</u>
Cash flows from investing activities:		
Interest received	\$ 19,459	\$ 13,934
Net cash provided by investing activities	<u>\$ 19,459</u>	<u>\$ 13,934</u>
Net change in cash and cash equivalents	\$ 357,209	\$ 252,036
Cash and cash equivalents, beginning of year	<u>2,536,478</u>	<u>2,284,442</u>
Cash and cash equivalents, end of year	<u>\$ 2,893,687</u>	<u>\$ 2,536,478</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 493,791	\$ 495,289
Adjustments to reconcile operating revenues to net cash provided by operating activities:		
Depreciation	644,214	684,625
Amortization	34,405	34,405
Changes in operating assets and liabilities:		
Accounts receivable	(14,103)	(876)
Prepaid expenses	(4,714)	948
Accounts payable	6,867	(111,219)
Other current liabilities	342	39
Net cash provided by operating activities	<u>\$ 1,160,802</u>	<u>\$ 1,103,211</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 314,119	\$ 325,119

HIWASSEE UTILITIES COMMISSION

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Hiwassee Utilities Commission (the "Commission") was created on November 2, 1972, by agreement between the Bradley and McMinn Counties of Tennessee. The Counties jointly own and operate the Commission which is responsible for providing urban type public facilities and for the collection and disposition of the revenues from such facilities. Currently, the Commission provides water on a contract and demand basis to five (5) customers within Bradley and McMinn Counties. The Counties are also guarantors on the bond issue (see Note 4), so there exists a potential for a future financial burden.

Basis of Accounting

Hiwassee Utilities Commission follows the provisions of Statement No. 34 (Statement 34) of the Government Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Hiwassee Utilities Commission is accounted for as an enterprise fund type using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business and where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Net Position

Net position is classified into the following three components, as applicable:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds or deferred inflows at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component of net position is the net amount of the assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expenditure is incurred for purposes of which both restricted and unrestricted net position are available, the Commission considers unrestricted resources to have been applied first.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less are treated as cash equivalents. Funds with longer maturity dates are recorded as investments.

HIWASSEE UTILITIES COMMISSION

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Investments

Investments are stated at fair value except for certificates of deposit, which are reported at cost which approximates market. State statutes authorize the Commission to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and pooled investment funds.

Inventories and Prepaid Items

Hiwassee Utilities Commission does not maintain any supplies or chemicals in excess of normal operating needs. Therefore, no inventory is recorded as part of the financial statements. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain assets of the Commission are classified as restricted assets because their use is completely restricted by the Commission's charter. Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted cash and cash equivalents are used to segregate resources accumulated for debt service payments over the next twelve months. The restricted investments account is used to report resources set aside to subsidize potential deficiencies from the Commission's operations that could adversely affect debt service payments.

Plant and Equipment

Expenditures for the water plant, intakes, pumping stations, water lines, and other fixed assets are recorded at historical cost. Depreciation is calculated by the straight-line method over an estimated period of 10-50 years for the plant and related equipment and an estimated 7-10 years for office fixtures and equipment. Under guidance of the National Council of Governmental Accounting (NCGA) Statement 2, the portion of depreciation which is prorated to the Economic Development Administration (EDA) grant proceeds is charged against the grant proceeds, rather than charged to income.

Feasibility Studies

Prior to commencing construction, studies were made for the feasibility of different services to be provided by Hiwassee Utilities Commission. Expenditures for the individual studies are as follows:

	6/30/2020	6/30/2019
Bradley-McMinn Study	\$ 326,635	\$ 326,635
Athens Sewer System Evaluation Survey	113,640	113,640
Cleveland Sewer System Evaluation Survey - Phase I	159,298	159,298
Cleveland Sewer System Evaluation Survey - Phase II	4,207	4,207
Candies Creek Sewer System Evaluation Survey - Phase I	15,313	15,313
Candies Creek Sewer System Evaluation Survey - Phase II	13,906	13,906
Total Feasibility Studies	\$ 632,999	\$ 632,999
Less: amortization	(506,399)	(490,575)
Net Feasibility Studies	<u>\$ 126,600</u>	<u>\$ 142,424</u>

Feasibility studies are being written off over a 40-year period using the straight-line method of amortization.

Compensated Absences

The Commission has not recorded any liability for compensated absences, as the employee is not required to work a standard 40-hour week.

HIWASSEE UTILITIES COMMISSION

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue Recognition

Revenues are recognized based on billings to customers on monthly water usage cycles. The utility distinguishes operating revenues from non-operating items. Operating revenues generally result from charges to customers for their use of water. Operating expenses include the cost of sales, administrative expenses, maintenance and repairs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Commission has only one item that qualifies for reporting in this category, the deferred loss on refunding.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2020, and December 3, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are required by State of Tennessee statutes to be secured and collateralized by those institutions. The collateral must meet certain requirements and have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by the Federal Deposit Insurance Corporation (FDIC). However, collateral requirements are not applicable for financial institutions that participate in the State of Tennessee Collateral Pool. As authorized by statutes of the State of Tennessee, the Commission may only invest in obligations of the United States Treasury, its agencies and instrumentalities; money market funds; the Local Government Investment Pool; or in obligations which are rated in either of the two highest-rated categories by a nationally recognized rating agency. At year-end, all deposits and investments of the Hiwassee Utilities Commission were covered by the FDIC limits or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

The Commission's investments include:

	6/30/2020		6/30/2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Certificates of Deposit	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
Total Investments	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000

Investments are reported at fair value, which is the amount at which financial instruments could be exchanged in a current transaction between willing parties.

Interest rate risk - In accordance with its investment policy, the Commission manages its exposure to declines in fair values by limiting the amount invested in long-term investments and bidding the amount of interest earned on checking accounts with area banks.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission places no limit on the amount that may be invested with one issuer.

HIWASSEE UTILITIES COMMISSION

Notes to Financial Statements

June 30, 2020 and 2019

Note 3 - CAPITAL ASSETS

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

	7/1/2019 Beginning Balance	Increases	Decreases	6/30/2020 Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 102,174	\$ 0	\$ 0	\$ 102,174
Total assets not being depreciated	<u>\$ 102,174</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,174</u>
Capital assets being depreciated:				
Buildings, lines, pumps and equipment	\$ 21,540,386	\$ 42,776	\$ 0	\$ 21,583,162
Equipment and fixtures	44,701	6,159	0	50,860
Total capital assets being depreciated	<u>\$ 21,585,087</u>	<u>\$ 48,935</u>	<u>\$ 0</u>	<u>\$ 21,634,022</u>
Less Accumulated depreciation for:				
Buildings, lines, pumps and equipment	\$ (10,550,718)	\$ (636,715)	\$ 0	\$ (11,187,433)
Equipment and fixtures	(21,194)	(7,499)	0	(28,693)
Total accumulated depreciation	<u>\$ (10,571,912)</u>	<u>\$ (644,214)</u>	<u>\$ 0</u>	<u>\$ (11,216,126)</u>
Total capital assets being depreciated, net	<u>\$ 11,013,175</u>	<u>\$ (595,279)</u>	<u>\$ 0</u>	<u>\$ 10,417,896</u>

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

	7/1/2018 Beginning Balance	Increases	Decreases	6/30/2019 Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 102,174	\$ 0	\$ 0	\$ 102,174
Total assets not being depreciated	<u>\$ 102,174</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,174</u>
Capital assets being depreciated:				
Buildings, lines, pumps and equipment	\$ 21,407,828	\$ 132,558	\$ 0	\$ 21,540,386
Equipment and fixtures	52,022	0	(7,321)	44,701
Total capital assets being depreciated	<u>\$ 21,459,850</u>	<u>\$ 132,558</u>	<u>\$ (7,321)</u>	<u>\$ 21,585,087</u>
Less Accumulated depreciation for				
Buildings, lines, pumps and equipment	\$ (9,872,693)	\$ (678,025)	\$ 0	\$ (10,550,718)
Equipment and fixtures	(21,915)	(6,600)	7,321	(21,194)
Total accumulated depreciation	<u>\$ (9,894,608)</u>	<u>\$ (684,625)</u>	<u>\$ 7,321</u>	<u>\$ (10,571,912)</u>
Total capital assets being depreciated, net	<u>\$ 11,565,242</u>	<u>\$ (552,067)</u>	<u>\$ 0</u>	<u>\$ 11,013,175</u>

HIWASSEE UTILITIES COMMISSION

Notes to Financial Statements

June 30, 2020 and 2019

Note 4 - NOTES PAYABLE

On December 15, 2015, Hiwassee Utilities Commission issued \$11,135,000 in general obligation refunding bonds, Series 2015, for the purpose of refunding the Series B-14-A bonds in the amount of \$10,335,000. Due to this refunding, the non-refunded amount of the Series B-14-A bonds matured in June 2017 with a fixed rate of 4.000%. The Series 2015 bonds will mature in June 2042 with fixed rates of 3.375% and 3.500% for the next two and three years, respectively.

Fiscal Year Ending June 30	Series 2015		
	Interest	Principal	Total Requirements
2021	\$ 302,775	\$ 345,000	\$ 647,775
2022	291,137	355,000	646,137
2023	284,037	360,000	644,037
2024-2028	1,302,632	1,915,000	3,217,632
2029-2033	1,039,213	2,175,000	3,214,213
2034-2038	677,293	2,545,000	3,222,293
2039-2042	210,000	2,360,000	2,570,000
	<u>\$ 4,107,087</u>	<u>\$ 10,055,000</u>	<u>\$ 14,162,087</u>

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

	7/1/2019 Beginning Balance	Additions	Reductions	6/30/2020 Ending Balance	Due within One Year
Notes payable	\$ 10,385,000	\$ 0	\$ (330,000)	\$ 10,055,000	\$ 330,000
Note premium	106,026	0	(4,610)	101,416	0
Total	<u>\$ 10,491,026</u>	<u>\$ 0</u>	<u>\$ (334,610)</u>	<u>\$ 10,156,416</u>	<u>\$ 330,000</u>

Activity in long-term debt for the year ended June 30, 2019, was as follows:

	7/1/2018 Beginning Balance	Additions	Reductions	6/30/2019 Ending Balance	Due within One Year
Notes payable	\$ 10,705,000	\$ 0	\$ (320,000)	\$ 10,385,000	\$ 330,000
Note premium	110,636	0	(4,610)	106,026	0
Total	<u>\$ 10,815,636</u>	<u>\$ 0</u>	<u>\$ (324,610)</u>	<u>\$ 10,491,026</u>	<u>\$ 330,000</u>

Note 5 - FEDERAL AND STATE INCOME TAXES

As a governmental entity, Hiwassee Utilities Commission is exempt from all federal and state income taxes.

Note 6 - RISK MANAGEMENT

It is the policy of Hiwassee Utilities Commission to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

HIWASSEE UTILITIES COMMISSION

Notes to Financial Statements

June 30, 2020 and 2019

Note 7 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Note 8 - RECLASSIFICATION

Certain items have been reclassified in order to present more clearly the financial statements at June 30, 2020.

Note 9 - ECONOMIC DEPENDENCY - MAJOR CUSTOMER

Hiwassee Utilities Commission sells a substantial portion of its water to one customer. For years ending June 30, 2020 and 2019, sales to that customer totaled \$2,382,133 and \$2,326,073, respectively. At June 30, 2020 and 2019, amounts due from that customer included in trade accounts receivable were \$192,552 and \$188,844, respectively. The Cleveland Utilities Board contracted with Hiwassee Utilities Commission on June 22, 2006, under which the Water Division agreed to purchase an annual quantity of water equal to an average of 2,466,667 gallons of water per day. The contract language called for this minimum requirement to adjust to 5,335,000 gallons per day on July 1, 2008, due to improvements and an expansion to the HUC plant.

Note 10 - SUBSEQUENT EVENTS

Hiwassee Utilities Commission has evaluated events and transactions that occurred between June 30, 2020 and December 3, 2020, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. During the year, the company applied for a \$2,918,900 State Revolving Loan to fund a new sodium hypochlorite building. As of December 3, 2020, the company has not received the loan and is still in the application process.

HIWASSEE UTILITIES COMMISSION*Schedule of Additions and Retirements to Utility Plant**For the Year Ended June 30, 2020*

	Balance June 30, 2019	Additions	Retirement	Balance June 30, 2020
Land and land rights	\$ 102,174	\$ 0	\$ 0	\$ 102,174
Buildings, lines, pumps and equipment	21,540,386	42,776	0	21,583,162
Fixtures and equipment	<u>44,701</u>	<u>6,159</u>	<u>0</u>	<u>50,860</u>
TOTAL	\$ 21,687,261	\$ 48,935	\$ 0	\$ 21,736,196
Less: Accumulated depreciation	<u>(10,571,912)</u>	<u>(644,214)</u>	<u>0</u>	<u>(11,216,126)</u>
Net	<u>\$ 11,115,349</u>	<u>\$ (595,279)</u>	<u>\$ 0</u>	<u>\$ 10,520,070</u>

HIWASSEE UTILITIES COMMISSION

Schedule of Insurance Coverage

For the Year Ended June 30, 2020

Policy No.	Insurance Company	Period	Type of Policy	Premium Amount	Coverage
PHPK2123589	Philadelphia Indemnity	04/20/20-04/20/21	Special Multi-Peril Policy (Commercial Package)	\$ 32,604	See breakdown of policy below
PHPK2123589	Philadelphia Indemnity	04/20/20-04/20/21	Plant/Equipment	Included in above	\$ 1,000,000 limit on real and personal property; \$1,000,000 limit on loss of income; \$10,000 deductible
PHPK2123589	Philadelphia Indemnity	04/20/20-04/20/21	Flood and Earthquake	Included in above	\$ 10,000,000 occurrence and aggregate limit for earthquakes; \$5,000,000 occurrence and aggregate limit for floods; \$25,000 deductible for both
PHPK2123589	Philadelphia Indemnity	04/20/20-04/20/21	Commercial Liability	Included in above	\$ 3,000,000 aggregate for general and products-completed operations limit; \$1,000,000 limit each for bodily injury/property damage, personal/advertising injury, professional liability and wrongful acts
PHPK2123589	Philadelphia Indemnity	04/20/20-04/20/21	Commercial Crime	Included in above	\$ 250 deductible; \$25,000 computer fraud limit; \$50,000 limit for employee theft, forgery/alteration, inside and outside the premises theft
PHPK2123589	Philadelphia Indemnity	04/20/20-04/20/21	Commercial Auto	Included in above	Commercial auto (business or truckers)
PHUB719264	Philadelphia Indemnity	04/20/20-04/20/21	Commercial Excess Liability	\$ 1,460	\$ 1,000,000 occurrence and aggregate limit

HIWASSEE UTILITIES COMMISSION*Schedule of Utility Rates in Force**June 30, 2020*

<u>Customer</u>	<u>Contract Demand Gallons/Day</u>	<u>Contract Quantity Gallons/Day</u>	<u>Demand Charge/ MG</u>	<u>Commodity Charge/ MG</u>
Athens	2,300,000	1,265,000	0.1500	1.0810
Calhoun-Charleston	500,000	275,000	0.1500	1.0810
Cleveland	9,700,000	5,335,000	0.1500	1.0810
McMinn County	500,000	0	0.1500	1.0810
Riceville	500,000	275,000	0.1500	1.0810

HIWASSEE UTILITIES COMMISSION*Schedule of Age of Accounts Receivable**June 30, 2020*

<u>Customer</u>	<u>Days</u>				<u>Total</u>
	<u>0-30</u>	<u>31-60</u>	<u>61-90</u>	<u>91+</u>	
Athens	\$ 55,757	\$ 0	\$ 0	\$ 0	\$ 55,757
Calhoun-Charleston	12,250	0	0	0	12,250
Cleveland	192,552	0	0	0	192,552
McMinn	2,325	0	0	0	2,325
Riceville	9,831	0	0	0	9,831
TOTALS	<u>\$ 272,715</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 272,715</u>

HIWASSEE UTILITIES COMMISSION

Schedule of Officers

June 30, 2020

Chairman

Doug Harrod

Vice-Chairman

Douglas Lecomte

Treasurer

Joe Edwards

Secretary

Joe Allen

HIWASSEE UTILITIES COMMISSION*Schedules of Bond Principal and Interest Requirements**June 30, 2020*

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Series 2015</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u> <u>Requirements</u>
2021	\$ 302,775	\$ 345,000	\$ 647,775
2022	291,137	355,000	646,137
2023	284,037	360,000	644,037
2024	276,838	370,000	646,838
2025	269,438	375,000	644,438
2026	261,462	380,000	641,462
2027	252,200	390,000	642,200
2028	242,694	400,000	642,694
2029	232,194	410,000	642,194
2030	221,175	420,000	641,175
2031	208,575	435,000	643,575
2032	195,525	450,000	645,525
2033	181,744	460,000	641,744
2034	167,656	480,000	647,656
2035	152,356	490,000	642,356
2036	136,738	505,000	641,738
2037	119,381	530,000	649,381
2038	101,162	540,000	641,162
2039	82,600	560,000	642,600
2040	63,000	580,000	643,000
2041	42,700	600,000	642,700
2042	21,700	620,000	641,700
Total	<u>\$ 4,107,087</u>	<u>\$ 10,055,000</u>	<u>\$ 14,162,087</u>

HIWASSEE UTILITIES COMMISSION
Schedule of Changes in Long-Term Debt by Issue
 June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2020
NOTES PAYABLE								
General Obligation, Refunding, Series 2015, Bradley	\$ 5,580,000	3.375%	06/01/2018	06/30/2042	\$ 5,040,000	\$ 0	\$ 165,000	\$ 4,875,000
General Obligation, Refunding, Series 2015, McMinn	\$ 5,555,000	3.500%	06/01/2018	06/30/2042	\$ 5,015,000	\$ 0	\$ 165,000	\$ 4,850,000

AWWA Free Water Audit Software:
 Reporting Worksheet

WAS v5.0

American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **Hiwassee Utilities Commission (0000831)**
 Reporting Year: **2020** **7/2019 - 6/2020**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

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

Pcnt: Value:

Volume from own sources: 2,434.000 MG/Yr
 Water imported: 0.000 MG/Yr
 Water exported: 0.000 MG/Yr

0.001 MG/Yr
 MG/Yr
 MG/Yr

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

WATER SUPPLIED: **2,433.999** MG/Yr

Billed unmetered: 0.000 MG/Yr
 Unbilled metered: 54.796 MG/Yr
 Unbilled unmetered: 0.001 MG/Yr

for help using option
 Pcnt: Value:
 MG/Yr
 24061

Use buttons to select percentage of water supplied OR value

AUTHORIZED CONSUMPTION: **2,431.797** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) **2.202** MG/Yr

Apparent Losses

Unauthorized consumption: 0.001 MG/Yr
 Customer metering inaccuracies: -44.874 MG/Yr
 Systematic data handling errors: 0.001 MG/Yr

Pcnt: Value:
 MG/Yr
 MG/Yr
 MG/Yr

Apparent Losses: **-44.872** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **47.074** MG/Yr

WATER LOSSES: **2.202** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **56.999** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 17.0 miles
 Number of active AND inactive service connections: 5
 Service connection density: 0 conn./mile main

Are customer meters typically located at the curbside or property line?
 Average length of customer service line: 0.0 ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average operating pressure: 130.0 psi

COST DATA

Total annual cost of operating water system: \$3,398,139 \$/Year
 Customer retail unit cost (applied to Apparent Losses): \$1,258.00 \$/1000 gallons (US)
 Variable production cost (applied to Real Losses): \$1.11 \$/Million gallons Use Customer Retail Unit Cost to

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 93 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Billed metered
- 3: Unbilled metered

🏠

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association
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Water Audit Report for: Hiwassee Utilities Commission (0000831)

Reporting Year: 2020 7/2019 - 6/2020

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 93 out of 100 ***

System Attributes:

Apparent Losses:	(44.872)	MG/Yr	
+	Real Losses:	47.074	MG/Yr
=	Water Losses:	2.202	MG/Yr

? Unavoidable Annual Real Losses (UARL): See limits in definition MG/Yr

Annual cost of Apparent Losses:	-\$56,449,141		
Annual cost of Real Losses:	\$52	Valued at Variable Production Cost	Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	2.3%	
		Non-revenue water as percent by cost of operating system:	-1661.2%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	-24587.47	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	7,586.48	gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):	47.07	million gallons/year	
? Infrastructure Leakage Index (ILI) [CARL/UARL]:			

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

WEDGEWOOD ACCOUNTING, PLLC
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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of the
Hiwassee Utilities Commission
Charleston, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hiwassee Utilities Commission as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Hiwassee Utilities Commission's basic financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hiwassee Utilities Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hiwassee Utilities Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Hiwassee Utilities Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified. Nevertheless, we identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control, described in 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hiwassee Utilities Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hiwassee Utilities Commission's Response to Findings

The Hiwassee Utilities Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hiwassee Utilities Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wedgewood Accounting, PLLC

WEDGEWOOD ACCOUNTING, PLLC

Certified Public Accountants

Cleveland, Tennessee

December 3, 2020

HIWASSEE UTILITIES COMMISSION

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Hiwassee Utilities Commission.
2. One significant deficiency was disclosed during the audit of the financial statements.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2020-001 - Segregation of Duties (Original Finding Number: 2002-001)

CONDITION: Lack of segregation of duties due to the fact that the Commission has only one employee.

CRITERIA: Duties should be segregated in order to improve internal control.

EFFECT: Lack of segregation of duties increases the risk of erroneous and inappropriate actions.

RECOMMENDATION: Although ideal, it is unlikely that additional employees will be hired, so the Board should continue to review the business operations in a timely and thorough manner.

MANAGEMENT RESPONSE: The Commission understands the situation and will continue to monitor results from the operations on a monthly basis.

HIWASSEE UTILITIES COMMISSION
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2020

FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Number	Description	Status
2020-001	Lack of Segregation of Duties (Original Finding Number: 2002-001)	Repeated



HIWASSEE UTILITIES COMMISSION

3973 Chatata Valley Road
Charleston, TN 37310
Plant Phone 423.336.2861
Plant FAX 423.336.2000

Management's Corrective Action Plan For the Year Ended June 30, 2020

Financial Statement Findings:

2020-001 - Segregation of Duties

RECOMMENDATION: Although ideal, it is unlikely that additional employees will be hired, so the Board should continue to review the business operations in a timely and thorough manner.

MANAGEMENT RESPONSE: The Commission understands the situation and will continue to monitor results from the operations on a monthly basis.

ANTICIPATED COMPLETION DATE: Ongoing

Responsible individual for corrective action:

Doug Harrod, Chairman
Hiwassee Utilities Commission

Signed: _____