

NEW ISSUE
Book-Entry-Only

PRELIMINARY OFFICIAL STATEMENT

\$2,000,000*

JEFFERSON COUNTY, TENNESSEE

**General Obligation Bonds, Series 2022
(Bank-Qualified)**

OFFERED FOR SALE NOT SOONER THAN

Wednesday, January 26, 2022 at 10:15 a.m., E.S.T
Through the Facilities of *PARITY*[®]

Cumberland Securities Company, Inc.
Municipal Advisor

January 21, 2022

* 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 JANUARY 21, 2022

NEW ISSUE

BOOK-ENTRY-ONLY

Rating: Moody's – "Aa3"
(See "MISCELLANEOUS-Rating")

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

\$2,000,000*
JEFFERSON COUNTY, TENNESSEE
General Obligation Bonds, Series 2022

Dated: Date of delivery (February 25, 2022).

Due: June 1 (as shown below)

The \$2,000,000* General Obligation Bonds, Series 2022 (the "Bonds") of Jefferson County, Tennessee (the "County" or the "Issuer") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2022 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated 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 from the operation of the Project, as defined herein. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing on or after June 1, 2030 are subject to optional redemption prior to maturity on or after June 1, 2029 as described herein.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2024	\$50,000				2038	\$ 75,000			
2025	50,000				2039	75,000			
2026	55,000				2040	80,000			
2027	55,000				2041	80,000			
2028	55,000				2042	85,000			
2029	60,000				2043	85,000			
2030	60,000				2044	90,000			
2031	60,000				2045	90,000			
2032	65,000				2046	90,000			
2033	65,000				2047	95,000			
2034	65,000				2048	100,000			
2035	70,000				2049	100,000			
2036	70,000				2050	105,000			
2037	70,000								

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 from the County by Rainwater, Drinnon & Churchwell, PLLC, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of DTC New York, New York, on or about February __, 2022.

Cumberland Securities Company, Inc.
Municipal Advisor

January __, 2022

* Preliminary, subject to change

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

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

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

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

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

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

**Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by MOODY'S Global Market Intelligence, a division of MOODY'S 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.

JEFFERSON COUNTY, TENNESSEE

COUNTY OFFICIALS

Honorable Mark Potts
Frank Herndon
Jennifer Boling Hall
Susan G. Gass
S. Doug Drinnon

County Mayor
County Clerk
County Trustee
Assessor of Property
County Attorney

BOARD OF COUNTY COMMISSIONERS

Randy Bales
Rob Blevins
Gregory D. Byrd
Jimmy Carmichael
Ronny Coleman
Terry Dockery
Steve Douglas
Ralf "Gene" Eslinger
Katy Fox Huffaker
Todd Kesterson
Edna Shurden Langley

Paul W. Lowe
Jimmy Dale Patterson
Michael Phagan
Marcus Reed
John Neal Scarlett
Tim Seals
Sammy Solomon
Jim Snodgrass
Heidi Thomas
Anthony Walker

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

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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	Jefferson County, Tennessee (the “County” or “Issuer”). See the section entitled “Supplemental Information Statement” for more information.
Securities Offered.....	\$2,000,000* General Obligation Bonds, Series 2022 (the “Bonds”) of the County, dated the date of delivery (estimated to be February 25, 2022). The Bonds will mature each June 1 beginning June 1, 2024 through June 1, 2050, inclusive. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
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 from the operation of the Project, as defined herein.
Purpose	The Bonds are being issued to finance, in whole or in part, (i) the acquisition, construction, improvement, expansion and equipping of a nursing home (the "Project"); (ii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the Project; (iii) reimbursement to the County for funds previously expended for any of the foregoing; (iv) payment of capitalized interest during construction of the Project and for up to six months thereafter; and (v) payment of the issuance costs of the Bonds.
Optional Redemption.....	The Bonds maturing on or after June 1, 2030 are subject to optional redemption prior to maturity on or after June 1, 2029, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
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	Moody’s: “Aa3”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Underwriter.....	_____ , _____ , _____ .
Municipal Advisor.....	Cumberland Securities Company, Inc., See the section entitled “MISCELLANEOUS - Municipal Advisor; Related Parties; Other”, herein.
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.

* 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 and Paying AgentRegions Bank, Nashville, Tennessee (the “Registration Agent”).

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

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 (“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 Annual Comprehensive Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other InformationThe 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 Mr. Mark Potts, County Mayor, P.O. Box 710 Dandridge, Tennessee 37725, (865) 397-3800; or the County's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. 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	\$ 6,100,290	\$ 8,215,602	\$ 8,766,004	\$ 8,417,091	\$ 9,134,283
Revenues	22,263,877	21,510,213	22,280,784	23,463,755	24,643,769
Expenditures	19,594,504	20,589,952	22,156,522	21,973,371	22,697,063
Other Financing Sources: Insurance					
Recovery	266,606	108,602	151,626	38,553	73,281
Transfers In	-	-	-	-	-
Transfers Out	(820,667)	(478,461)	(624,801)	(811,745)	(582,570)
Ending Fund Balance	<u>\$8,215,602</u>	<u>\$8,766,004</u>	<u>\$8,417,091</u>	<u>\$9,134,283</u>	<u>\$10,571,700</u>

Source: Annual Comprehensive Financial Reports of the County.

SUMMARY NOTICE OF SALE

\$2,000,000*

JEFFERSON COUNTY, TENNESSEE General Obligation Bonds, Series 2022

NOTICE IS HEREBY GIVEN that the County Mayor of Jefferson County, Tennessee (the “County” or “Issuer”) will receive electronic or written bids for the purchase of all, but not less than all, of the County's \$2,000,000* General Obligation Bonds, Series 2022 (the “Bonds”) at the office of the County’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863, until **10:15 a.m. E.S.T. on Wednesday, January 26, 2022**. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**[®] System not later than 9:30 a.m., Eastern Standard 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 hour’s 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 this 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 their date of issuance and delivery (assume February 25, 2022) and will mature on June 1, 2024 through June 1, 2050, inclusive with term bonds optional, and will be subject to redemption prior to maturity on or after June 1, 2029. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Bass, Berry & Sims PLC Bond Counsel, Knoxville, Tennessee. **The interest rate bid for each maturity of the Bonds shall be three percent (3.00%) per annum.** Unless bids are rejected, the Bonds will be awarded by the County Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

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

DETAILED NOTICE OF SALE

\$2,000,000*

JEFFERSON COUNTY, TENNESSEE General Obligation Bonds, Series 2022

NOTICE IS HEREBY GIVEN that electronic or written bids will be received by the County Mayor of Jefferson County, Tennessee (the “County” or “Issuer”), all or none, until **10:15 a.m. E.S.T.** on **Wednesday, January 26, 2022** (or at such later time and date announced at least forty-eight hours in advance via Bloomberg News Service or the **PARITY**[®] system) for the purchase of \$2,000,000* General Obligation Bonds, Series 2022 (the “Bonds”). Electronic bids must be submitted through **PARITY**[®] as described in this “Detailed Notice of Sale.” In case of written bids, bids will be received at the office of the County’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**[®] System not later than 9:30 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY**[®] System.

Description of the Bonds. The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2022.

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

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2024	\$50,000	2038	\$ 75,000
2025	50,000	2039	75,000
2026	55,000	2040	80,000
2027	55,000	2041	80,000
2028	55,000	2042	85,000
2029	60,000	2043	85,000
2030	60,000	2044	90,000
2031	60,000	2045	90,000
2032	65,000	2046	90,000
2033	65,000	2047	95,000
2034	65,000	2048	100,000
2035	70,000	2049	100,000
2036	70,000	2050	105,000
2037	70,000		

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 or more fully-registered bond certificates (the “Bond Certificates”) will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC, pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity, to DTC or its nominee, as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the successful bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the County, the Bond Certificates in fully registered form will be delivered to, and registered in the names of the DTC participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) 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 from the operation of the Project, as defined herein.

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 to finance, in whole or in part, (i) the acquisition, construction, improvement, expansion and equipping of a nursing home (the "Project"); (ii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the Project; (iii) reimbursement to the County for funds previously expended for any of the foregoing; (iv) payment of capitalized interest during construction of the Project and for up to six months thereafter; and (v) payment of the issuance costs of the Bonds.

Optional Redemption. The Bonds maturing on and after June 1, 2030 will be subject to optional redemption prior to maturity at the option of the County, in whole or in part at any time on and after June 1, 2029 at the redemption price of par plus accrued interest as provided herein.

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

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 required to bid as to each maturity of the Bonds an interest rate of three percent (3.00%) per annum for the Bonds. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par.**

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

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

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

Separate written bids should be submitted by facsimile to the County’s Municipal Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the *Preliminary Official Statement*.

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

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

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

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 Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Municipal Advisor (via wire transfer) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the County's Municipal Advisor no later than the close of business on the day following the competitive sale. The good faith instructions will be sent to the winning bidder after the sale.

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

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

Establishment of Issue Price

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

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

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

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

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given the successful bidder. Delivery will be made in book-entry-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(s) to the persons to whom such bidder and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the County and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Municipal Advisor, Cumberland Securities Company, Inc., 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/ Mark Potts, County Mayor

EXHIBIT A

JEFFERSON COUNTY, TENNESSEE
[\$ _____ GENERAL OBLIGATION BONDS, SERIES 2022]

ISSUE PRICE CERTIFICATE
(if Competitive Sale Requirements are 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 Jefferson 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 January 26, 2022.
- (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

**JEFFERSON COUNTY, TENNESSEE
[§ _____ GENERAL OBLIGATION BONDS, SERIES 2022]**

**ISSUE PRICE CERTIFICATE
(if Competitive Sale Requirements are not met)**

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 Jefferson 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 January 26, 2022.
- (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

The Honorable Mark Potts
202 W Main Street
Dandridge, Tennessee 37725

January 26, 2022

Dear Mayor Potts:

For your legally issued, properly executed \$2,000,000* General Obligation Bonds, Series 2022 (the “Bonds”) of Jefferson County, Tennessee (the “County”) in all respects as more fully outlined in your Notices of Sale which by reference are made a part hereof, we will pay you a sum of _____.

The Bonds shall be dated the date of delivery (assume February 25, 2022) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>June 1</u> <u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>June 1</u> <u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2024	\$50,000	_____ %	2038	\$ 75,000	_____ %
2025	50,000	_____ %	2039	75,000	_____ %
2026	55,000	_____ %	2040	80,000	_____ %
2027	55,000	_____ %	2041	80,000	_____ %
2028	55,000	_____ %	2042	85,000	_____ %
2029	60,000	_____ %	2043	85,000	_____ %
2030	60,000	_____ %	2044	90,000	_____ %
2031	60,000	_____ %	2045	90,000	_____ %
2032	65,000	_____ %	2046	90,000	_____ %
2033	65,000	_____ %	2047	95,000	_____ %
2034	65,000	_____ %	2048	100,000	_____ %
2035	70,000	_____ %	2049	100,000	_____ %
2036	70,000	_____ %	2050	105,000	_____ %
2037	70,000	_____ %			

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

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

It is our understanding that the Bonds will be issued as “qualified tax-exempt obligation” 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 up to 2% of the aggregate principal amount of the Bonds on which we have bid by the close of business on the date of the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

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

Accepted for and on behalf of the
Jefferson County, Tennessee, this
26th day of January 2022.

Respectfully submitted,

Mark Potts, County Mayor

Total interest cost from
February 25, 2022 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.

\$2,000,000*
JEFFERSON COUNTY, TENNESSEE
General Obligation Bonds, Series 2022

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Jefferson County, Tennessee (the “County” or “Issuer”) of its \$2,000,000* General Obligation Bonds, Series 2022 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the “Resolution”) duly adopted by the County Commission of the County on April 19, 2021.

The Bonds are being issued to finance, in whole or in part, (i) the acquisition, construction, improvement, expansion and equipping of a nursing home (the "Project"); (ii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the Project; (iii) reimbursement to the County for funds previously expended for any of the foregoing; (iv) payment of capitalized interest during construction of the Project and for up to six months thereafter; and (v) payment of the issuance costs of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from their date of issuance and delivery (assume February 25, 2022). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2022. 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 from the operation of the Project.

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

The Bonds maturing on or after June 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2029 in whole or in part at any time at a redemption price of par plus accrued interest.

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

(i) if the Bonds are being held under a Book-Entry-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 any credit described below, the County shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption

dates set forth below, 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. Specific Bonds to be so redeemed 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) 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 Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

BOOK-ENTRY-ONLY SYSTEM

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

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

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-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 U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund to be known as the 2022 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the County. The County shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Project. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Moneys in the Construction Fund shall be invested at the direction of the County Trustee in such investments as shall be permitted by applicable law. Earnings from such investments in the Construction Fund shall be deposited in the County's debt service fund.

DISCHARGE AND SATISFACTION OF BONDS

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

- (a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
- (b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an “Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption,

sufficient money or defeasance obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

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

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

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

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

REMEDIES OF BONDHOLDERS

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

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

such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

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

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

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

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

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

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

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

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

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 City as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

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

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts

withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in

final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

Moody's Investor Services, Inc. ("Moody's") has given the Bonds the rating of "Aa3".

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

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

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on January 26, 2022. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated January 20, 2022.

The successful bidder for the Bonds was an account led by _____, _____, _____ (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$ _____ (consisting of the par amount of the Bonds, less an underwriter's discount of \$ _____ and an original issue discount of \$ _____) or ____% of par plus accrued interest, if any, to the date of delivery.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

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

engaged by the County to review or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

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

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

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

ADDITIONAL DEBT

The County has not authorized any additional debt.

DEBT LIMITATIONS

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

DEBT RECORD

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

CONTINUING DISCLOSURE

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

Five-Year Filing History. For Fiscal Year 2020, the Required Information and the Annual Report (due on June 30, 2021) was filed 203 days late (on January 19, 2022) only on the following Bonds: General Obligation Refunding Bonds, Series 2020A, dated June 5, 2020 (the "Series 2020A Bonds"), and General Obligation Bonds, Series 2020B, dated December 15, 2020 (the "Series 2020B Bonds"). This late filing was due to a mistake by the Dissemination Agent. The Required Information and Annual Report for Fiscal Year 2020 was filed on time on all other outstanding bonds for the County. Additionally, the 2020 Audit was available on the State of Tennessee's web site. Other than as stated above, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12 for the past five years.

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

1. Summary of Bonded Indebtedness as of the end of such fiscal year;

2. The Indebtedness and Debt Ratios as of the end of such fiscal year, together with information about the property tax base;
3. Information about the Bonded Debt Service Requirements as of the end of such fiscal year;
4. The Fund Balances, Net Assets and Retained Earnings for the fiscal year;
5. Five Year Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year;
6. The estimated Assessed Valuations of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year;
7. Property Tax Rates and Collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year; and
8. The Ten Largest Taxpayers.

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;

- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the County, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the County, any of which reflect financial difficulties.

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

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

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

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

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

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

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

BONDHOLDER RISK

COVID-19. The worldwide spread of COVID-19, a respiratory illness caused by a novel strain of coronavirus, is a pandemic that has affected the entire world and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The Governor of the State issued a state of emergency for the State in mid-March 2020 in response to

the COVID-19 pandemic. The spread of COVID-19 has led to quarantine and other "social distancing" measures throughout the United States, including the State of Tennessee. These measures have included, from to time, (i) the closure of nonessential businesses, (ii) recommendations and warnings to limit nonessential travel and promote telecommuting, (iii) the postponement or cancellation of or reduction of capacity at large-scale gatherings such as conventions, concerts and sporting events, (iv) limits on operations and customer capacity at commercial and retail establishments, and (v) the closure of school buildings. The Governor of the State lifted the state of emergency on April 27, 2021. However, the State and/or other local jurisdictions may issue future restrictions in response to the pandemic.

Multiple vaccines for the virus that causes COVID-19 were developed in late 2020. To date, three vaccines have been approved for distribution in the United States with each of these vaccines having an efficacy rate exceeding 65%. Multiple variants of the virus that causes COVID-19 have been documented in the United States and globally, but studies so far suggest that antibodies generated through vaccination with approved vaccines recognize these variants to varying extents. COVID-19 vaccines are currently available to all residents within the State, including the Issuer, who are over the age of 12.

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

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

For the current fiscal year, the Issuer's largest source of revenues is property tax revenues. Property tax revenues are due each year on October 1st and are delinquent on the last day of February of the following year, so all tax year 2021 taxes will be required to be paid without any penalty by February 28, 2022.

The budget for the 2022 fiscal year which started on July 1, 2021 anticipated an overall 8.9% increase in local revenues. Given the uncertainties as to when businesses, including tourism-related businesses, will be fully operational, these projections are uncertain and the ultimate amount of revenues from sales and use taxes, hotel-motel taxes and other similar business taxes may be less or more than what has been projected in the Issuer's adopted budget.

With respect to sales and use tax revenues for the most recent months for which information is available, the Issuer's local sales and use tax revenues were:

	2019 Revenues	2020 Revenues	% Increase or Decrease
Jan	\$ 657,828	\$ 729,328	10.90%
Feb	785,724	894,193	13.80%
Mar	579,070	674,954	16.60%
Apr	608,292	686,246	12.80%
May	693,282	751,157	8.30%
Jun	674,457	771,072	13.50%
Jul	725,933	862,207	18.80%
Aug	725,325	894,742	23.40%
Sep	734,269	912,852	24.30%
Oct	712,105	851,852	10.60%
Nov	708,105	849,030	19.90%
Dec	707,539	891,969	26.10%
	2020 Revenues	2021 Revenues	% Increase or Decrease
Jan	\$ 729,328	\$ 902,882	23.8%
Feb	894,193	1,137,607	27.2%
Mar	674,954	852,381	26.3%
Apr	686,246	777,382	13.3%
May	751,157	1,077,984	43.5%
June	771,072	1,758,941	128.1%
July	862,207	1,048,651	21.6%
Aug	894,742	1,112,212	24.3%
Sep	912,852	1,105,078	21.1%
Oct	851,852	1,055,676	23.9%
Nov	849,030	1,023,463	20.5%
TOTAL	<u>\$8,877,633</u>	<u>\$11,852,257</u>	<u>33.5%</u>

The Issuer's liquidity position remains strong. As of June 30, 2021 (unaudited), the Issuer had in excess of \$4.9 million in General Fund balance, which is approximately 20% of the Issuer's general fund budget. The General Debt Service Fund had in excess \$11.1 million committed fund balance for the General Debt Service Fund*, which is approximately 151% of the Issuer's general debt service fund budget. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

*\$11.1 Million committed (total balance) of \$3.7 million required to meet 50% annual debt service.

Various types of information regarding employment and income trends within the County are detailed in APPENDIX B. Most of 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, had increased significantly in the initial months of the COVID-19 outbreak but a currently declining. 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 change 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.

CLIMATE CHANGE. Planning for climate change in the State and its impact on the County's operation is an unknown challenge. The State of Tennessee's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State of Tennessee indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length, intensity, and frequency of droughts and floods. The financial impact of the climate change is not yet known and therefore its future impact on the County cannot be quantified reliably at this time.

CYBER-SECURITY. Computer networks and data transmission and collection are vital to the efficient operations of the County. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the County, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the County's operations, which could materially affect the County and its operations. The County maintains insurance to mitigate any potential financial losses from cyber-security threats.

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 ISSUER

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

/s/
County Mayor

ATTEST:

/s/
County Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Jefferson County, Tennessee (the "Issuer") of the \$_____ General Obligation Bonds, Series 2022 (the "Bonds") dated _____, 2022. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.
2. The resolution of the Board of County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The Bonds shall be additionally payable from but not secured by the revenues from the operation of the nursing home being financed with the proceeds of the Bonds.
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

All of the following information, estimates and expressions of opinion are subject to change without notice. Though collected from sources the County believes to be reliable, the County has made no independent verification of the information provided by non-County sources, and the County takes no responsibility for the completeness or accuracy thereof. Except as otherwise provided, the information herein is often in relation to dates and periods prior to the COVID-19 pandemic and the resulting measures instituted to mitigate it. As provided in the section of the Official Statement entitled "BONDHOLDER RISK – COVID 19," the economic and social impact of COVID-19 to the County is far-reaching, unprecedented and constantly evolving. Historical numbers, including but not limited to those regarding employment, presented herein cannot be relied upon as reflective of current conditions or predictive of future results, which may be materially different from the information presented herein. The delivery by the County of the information contained herein shall not, under any circumstances, create any implication that there has been no material change in the affairs of the County since the date of the Official Statement.

GENERAL INFORMATION

LOCATION

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

GENERAL

The County has a total land area of approximately 203,520 acres or 318 square miles.

According to the 2010 U.S. Census, Jefferson County had a population of approximately 51,407. The largest city in the County, Jefferson City, has a population of 8,047. The Town of Dandridge had a 2010 US Census population of 2,812.

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

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

TRANSPORTATION

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

Four motor freight companies serve the County. Terminal facilities are located in the Dandridge and White Pine areas. Seventy percent of American markets are accessible through

second day motor freight service. The County is home to major hubs for Old Dominion and Roadway freight carriers. Rail service is provided by the Norfolk/Southern Railroad.

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

EDUCATION

The *Jefferson County School System* serves the County with thirteen total schools. The fall 2021 enrollment was 6,669 with about 476 teachers.

Source: Tennessee Department of Education.

Carson-Newman College is a private, Christian liberal arts institution that was founded in 1851. Carson-Newman has a 125 acres campus located in Jefferson City, Tennessee. Location within the foothills of the Great Smoky Mountains and in between two lakes, the campus is located 28 miles northeast of Knoxville. Fall 2021 had more than 2,800 students enrolled. There are 53 majors available with four undergraduate degrees and four graduate degrees.

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

The Tennessee College of Applied Technology at Morristown. The Tennessee College of Applied Technology at Morristown (the “TCAT-M”) is part of a statewide system of 26 vocational-technical schools. TCAT-M meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. TCAT-M serves the northeast region of the state including Greene, Cocke, Jefferson, Hancock, Hawkins, Claiborne, Grainger, Sevier and Hamblen Counties. TCAT-M main campus is located in Hamblen County. There are three satellite campuses for Morristown: Tazewell, Claiborne County; Greeneville, Greene County; and Sevierville, Sevier County. Fall 2019 enrollment was 1,329.

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

HEALTHCARE

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

Source: Community Health Systems.

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

POWER PRODUCTION

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

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

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

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

Major Employers in Jefferson County

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Old Dominion Freight Co.	Trucking	1,100
Jefferson County Schools	School System	1,100
Bush Brothers	Canned Foods	500
Nyrstar Clarksville Inc.	Mining	450
Carson Newman College	Education	320
Jefferson County Government	Government	300
Wal-Mart Inc.	Retail	300
Oshkosh Corp.	Manufacturing	229
American Book Co.	Distribution	250
Jefferson Memorial Hosp.	Healthcare	205
Jefferson County Nursing Home	Healthcare	200
Dillard Smith Construction	Power Line Construction	181
Matsuo Industries	Automotive Parts	180
Nashua / Rittenhouse Paper Co.	Paper Rolls, Labels	180
Clayton Homes	Manufactured Mobile Homes	159

Source: Tennessee Department of Economic and Community Development (2021).

EMPLOYMENT INFORMATION

For the month of December 2021, the unemployment rate for Jefferson County stood at 3.0% with 24,002 persons employed out of a labor force of 24,750. The Morristown MSA's unemployment for December 2021 was at 3.1% with 51,340 persons employed out of a labor force of 52,989. As of December 2021, the unemployment rate in the Knoxville-Morristown-Sevierville CSA stood at 2.7%, representing 541,731 persons employed out of a workforce of 556,785.

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020*</u>
National	4.9%	4.4%	3.9%	3.7%	8.3%
Tennessee	4.7%	3.7%	3.5%	3.4%	7.5%
Jefferson County	5.3%	4.0%	3.8%	3.7%	7.5%
Index vs. National	108	91	97	100	90
Index vs. State	113	108	109	109	100
Morristown MSA	5.2%	4.0%	3.8%	3.8%	7.3%
Index vs. National	106	91	97	103	88
Index vs. State	111	108	109	112	97
Knoxville-Sevierville- Harriman CSA	4.4%	3.5%	3.2%	3.1%	6.8%
Index vs. National	90	80	82	84	82
Index vs. State	94	95	91	91	91

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

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

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ECONOMIC DATA

	Per Capita Personal Income				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	\$49,019	\$50,015	\$52,118	\$54,606	\$56,490
Tennessee	\$42,626	\$43,626	\$45,233	\$47,210	\$48,684
Jefferson County	\$32,508	\$33,234	\$34,723	\$36,476	\$37,494
Index vs. National	66	66	67	67	66
Index vs. State	76	76	77	77	77
Morristown MSA	\$33,333	\$33,843	\$34,842	\$36,425	\$37,452
Index vs. National	68	68	67	67	66
Index vs. State	78	78	77	77	77
Knoxville-Sevierville-Harriman CSA	\$39,829	\$40,664	\$42,124	\$44,131	\$45,296
Index vs. National	81	81	81	81	80
Index vs. State	93	93	93	93	93

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

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Jefferson County</u>	<u>Jefferson City</u>
Median Value Owner Occupied Housing	\$217,500	\$167,200	\$146,300	\$127,400
% High School Graduates or Higher Persons 25 Years Old and Older	85.2%	87.5%	85.3%	80.6%
% Persons with Income Below Poverty Level	10.5%	13.9%	12.5%	22.9%
Median Household Income	\$62,843	\$53,320	\$49,139	\$38,693

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

RECREATION

Cherokee Reservoir. Tennessee Valley Authority's ("TVA") Cherokee Dam is located on the Holston River in Jefferson City, 52 miles upstream from the point at which the Holston and French Broad Rivers converge to form the Tennessee. Cherokee Reservoir spans Jefferson, Grainger, Hamblen and Hawkins Counties. The Reservoir attracts millions of recreational

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

Source: Tennessee Valley Authority.

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

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

417 Southwest Commercial Park Utilities. In 2020 funding was approved for a \$2.5 million tax increment financing plan for the 417 Southwest Commercial Park off Exit 417 on I-40. A new utility water tank, water lines, storm drains and a new frontage road with access to the Exit 417 to enhance service to the park. The commercial development is expected to generate \$61 million in annual sales revenue and create 220 new jobs. Plans include a recreational vehicle dealership, hotels, restaurants, grocery stores, and similar commercial businesses.

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

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

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Solar Array. A \$200 million, 200 acre solar farm was built by E.ON Climate and Renewables North America (the “E.ON”) in New Market near the existing Appalachian Electric Cooperative solar array on Highway 11E. Construction was completed in 2018. E.ON is a Chicago company that is the largest investor-owned utility in the world. The solar farm will generate 40 megawatts of solar power that will be immediately injected into the TVA and Appalachian Electric Cooperative grid.

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

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JEFFERSON COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) As of June 30, 2021 OUTSTANDING
\$ 13,305,000	Loan Agreement, Series E-3-D	Jun. 2026	Variable	\$ 4,395,000
10,595,000	(3) Qualified School Construction Loan, Series 2010 General Obligation Bonds, Series 2010 (Federally Taxable)	2028	Fixed	4,094,072
16,000,000	(3) Recovery Zone Economic Development Bonds)	June 2040	Fixed	16,000,000
2,506,325	Loan Agreement, Series 2011 (EESI Loan)	March 2024	Fixed	642,431
8,725,000	General Obligation Refunding Bonds, Series 2017	June 2023	Fixed	3,885,000
15,225,000	General Obligation Refunding Bonds, Series 2020A	June 2036	Fixed	14,650,000
6,350,000	General Obligation Refunding Bonds, Series 2021A	June 2036	Fixed	6,350,000
7,750,000	(4) General Obligation Bonds, Series 2020B (Nursing Home)	June 2050	Fixed	7,750,000
5,535,000	(4) General Obligation Refunding Bonds, Series 2021B (Nursing Home)	June 2037	Fixed	5,535,000
<u>\$ 85,991,325</u>	TOTAL GENERAL OBLIGATION BONDS			<u>\$ 63,301,503</u>
\$ 2,000,000	(4) General Obligation Bonds, Series 2022 (Nursing Home)	June 2050	Fixed	\$ 2,000,000
<u>\$ 87,991,325</u>	NET TOTAL DEBT			<u>\$ 65,301,503</u>

NOTES:

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

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

(3) The original federal subsidy of on the Qualified School Construction Loan, Series 2010 and the General Obligation Bonds, Series 2010 (Federally Taxable Recovery Zone Economic Development Bonds) (Dated: 12/20/2010) has been reduced by 5.7% for the federal fiscal year ending September 30, 2021 through September 1, 2030, as a result of the sequestration by the Budget Control Act of 2011.

(4) County Nursing Home supported

JEFFERSON COUNTY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

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

	For the Fiscal Year Ended June 30				After Issuance	
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2021</u>
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$76,210,005	\$70,737,109	\$66,298,982	\$60,880,492	\$ 63,301,503	\$65,301,503
TOTAL TAX SUPPORTED	<u>76,210,005</u>	<u>70,737,109</u>	<u>66,298,982</u>	<u>60,880,492</u>	<u>63,301,503</u>	<u>65,301,503</u>
TOTAL DEBT	<u>\$76,210,005</u>	<u>\$70,737,109</u>	<u>\$66,298,982</u>	<u>\$60,880,492</u>	<u>\$63,301,503</u>	<u>\$65,301,503</u>
Less: Debt Service Fund	<u>(7,535,668)</u>	<u>(8,224,505)</u>	<u>(9,684,747)</u>	<u>(11,438,740)</u>	<u>(11,438,740)</u>	<u>(11,438,740)</u>
NET DIRECT DEBT	<u>\$68,674,337</u>	<u>\$62,512,604</u>	<u>\$56,614,235</u>	<u>\$49,441,752</u>	<u>\$51,862,763</u>	<u>\$53,862,763</u>
PROPERTY TAX BASE						
Estimated Actual Value	\$4,376,190,440	\$4,468,176,240	\$4,806,443,192	\$4,831,497,918	\$4,936,955,149	\$4,936,955,149
Appraised Value	4,205,956,632	4,294,364,184	4,321,953,718	4,831,497,918	4,936,955,149	4,936,955,149
Assessed Value	<u>1,170,469,245</u>	<u>1,195,514,518</u>	<u>1,204,261,954</u>	<u>1,338,846,329</u>	<u>1,368,013,304</u>	<u>1,368,013,304</u>

DEBT RATIOS	For the Fiscal Year Ended June 30				After Issuance	
	2017	2018	2019	2020		2021
TOTAL DEBT to Estimated Actual Value	1.74%	1.58%	1.38%	1.26%	1.28%	1.32%
TOTAL DEBT to Appraised Value	1.81%	1.65%	1.53%	1.26%	1.28%	1.32%
TOTAL DEBT to Assessed Value	6.51%	5.92%	5.51%	4.55%	4.63%	4.77%
NET DIRECT DEBT to Estimated Actual Value	1.57%	1.40%	1.18%	1.02%	1.05%	1.09%
NET DIRECT DEBT to Appraised Value	1.63%	1.46%	1.31%	1.02%	1.05%	1.09%
NET DIRECT DEBT to Assessed Value	5.87%	5.23%	4.70%	3.69%	3.79%	3.94%
PER CAPITA RATIOS						
POPULATION (1)	53,804	54,012	54,495	54,683	54,683	54,683
PER CAPITA PERSONAL INCOME (2)	\$34,723	\$36,476	\$37,494	\$37,494	\$37,494	\$37,494
Estimated Actual Value to POPULATION	\$81,336	\$82,726	\$88,200	\$88,355	\$90,283	\$90,283
Assessed Value to POPULATION	\$21,754	\$22,134	\$22,099	\$24,484	\$25,017	\$25,017
Total Debt to POPULATION	\$1,416	\$1,310	\$1,217	\$1,113	\$1,158	\$1,194
Net Direct Debt to POPULATION	\$1,276	\$1,157	\$1,039	\$904	\$948	\$985
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.08%	3.59%	3.24%	2.97%	3.09%	3.18%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.68%	3.17%	2.77%	2.41%	2.53%	2.63%

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

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

JEFFERSON COUNTY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS

F. Y. Ended 6/30	Existing Debt (1) - As of June 30, 2021 (Unaudited)				General Obligation Bonds, Series 2022				Total Bonded Debt Service Requirements (1)				% Total Principal Repaid
	Principal	Interest (2)	Estimated Rebate (3)	TOTAL	Principal	Interest (4)	TOTAL	Principal	Interest (2)	Estimated Rebate (3)	TOTAL		
2022	\$ 4,709,627	\$ 2,981,192	\$ (919,319)	\$ 6,771,500	\$ -	\$ 13,750	\$ 13,750	\$ 4,709,627	\$ 2,994,942	\$ (919,319)	\$ 6,785,250	7.21%	
2023	4,970,400	2,802,700	6,853,781	55,000	-	55,000	55,000	4,970,400	2,857,700	(919,319)	6,908,781		
2024	3,500,739	2,605,308	5,186,728	50,000	50,000	105,000	105,000	3,550,739	2,660,308	(919,319)	5,291,728		
2025	3,536,112	2,489,737	5,106,530	50,000	55,000	103,625	103,625	3,586,112	2,543,362	(919,319)	5,210,155		
2026	2,776,112	2,367,837	4,224,630	55,000	52,250	107,250	107,250	2,831,112	2,420,087	(919,319)	4,331,880		
2027	2,636,190	2,284,487	4,001,358	55,000	50,738	105,738	105,738	2,691,190	2,335,224	(919,319)	4,107,095	34.21%	
2028	2,047,323	1,955,264	3,321,600	55,000	49,225	104,225	104,225	2,102,323	2,004,489	(680,988)	3,425,825		
2029	2,055,000	1,622,841	3,235,185	60,000	47,713	107,713	107,713	2,115,000	1,670,554	(442,656)	3,342,898		
2030	2,135,000	1,544,291	3,236,635	60,000	46,063	106,063	106,063	2,195,000	1,590,354	(442,656)	3,342,698		
2031	2,190,000	1,488,691	3,236,035	60,000	44,413	104,413	104,413	2,250,000	1,533,104	(442,656)	3,340,448		
2032	2,240,000	1,442,591	3,239,935	65,000	42,763	107,763	107,763	2,305,000	1,485,354	(442,656)	3,347,698		
2033	2,285,000	1,395,391	3,237,735	65,000	40,975	105,975	105,975	2,350,000	1,436,366	(442,656)	3,343,710	51.00%	
2034	2,325,000	1,351,716	3,234,060	65,000	39,188	104,188	104,188	2,390,000	1,390,904	(442,656)	3,338,248		
2035	2,370,000	1,307,266	3,234,610	70,000	37,400	107,400	107,400	2,440,000	1,344,666	(442,656)	3,342,010		
2036	2,420,000	1,259,188	3,236,532	70,000	35,475	105,475	105,475	2,490,000	1,294,663	(442,656)	3,342,007		
2037	3,720,000	1,208,213	4,485,557	70,000	33,550	103,550	103,550	3,790,000	1,241,763	(442,656)	4,589,107	71.62%	
2038	4,460,000	990,988	5,092,713	75,000	31,625	106,625	106,625	4,535,000	1,022,613	(358,275)	5,199,338		
2039	4,615,000	705,844	5,078,075	75,000	29,563	104,563	104,563	4,690,000	735,406	(242,769)	5,182,637		
2040	4,750,000	410,613	5,037,499	80,000	27,500	107,500	107,500	4,830,000	438,113	(123,114)	5,144,999		
2041	310,000	106,800	416,800	80,000	25,300	105,300	105,300	390,000	132,100	-	522,100		
2042	320,000	97,500	417,500	85,000	23,100	108,100	108,100	405,000	120,600	-	525,600	94.36%	
2043	330,000	87,900	417,900	85,000	20,763	105,763	105,763	415,000	108,663	-	523,663		
2044	340,000	78,000	418,000	90,000	18,425	108,425	108,425	430,000	96,425	-	526,425		
2045	350,000	67,800	417,800	90,000	15,950	105,950	105,950	440,000	83,750	-	523,750		
2046	360,000	57,300	417,300	90,000	13,475	103,475	103,475	450,000	70,775	-	520,775		
2047	370,000	46,500	416,500	95,000	11,000	106,000	106,000	465,000	57,500	-	522,500	97.73%	
2048	380,000	35,400	415,400	100,000	8,388	108,388	108,388	480,000	43,788	-	523,788		
2049	395,000	24,000	419,000	100,000	5,638	105,638	105,638	495,000	29,638	-	524,638		
2050	405,000	12,150	417,150	105,000	2,888	107,888	107,888	510,000	15,038	-	525,038	100.00%	
	<u>\$ 63,301,503</u>	<u>\$ 32,827,508</u>	<u>\$ (10,904,964)</u>	<u>\$ 85,224,047</u>	<u>\$ 2,000,000</u>	<u>\$ 930,738</u>	<u>\$ 2,930,738</u>	<u>\$ 65,301,503</u>	<u>\$ 33,758,245</u>	<u>\$ (10,904,964)</u>	<u>\$ 88,154,784</u>		

NOTES:

- (1) The above figures may not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Also, does not include any outstanding Notes held by the County Trustee payable from the General Purpose School Fund.
- (2) The County budgets to account for interest rate and/or basis risk.
- (3) The original federal subsidy on the Qualified School Construction Loan, Series 2010 and the General Obligation Bonds, Series 2010 (Federally Taxable Recovery Zone Economic Development Bonds) (Dated: 12/20/2010) has been reduced by 5.7% for the federal fiscal year ending September 30, 2021 through September 1, 2030, as a result of the sequestration by the Budget Control Act of 2011.
- (4) Estimated Interest Rates. Estimated Average Coupon of 2.75%.

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

<u>Fund Type</u>	<u>For the Fiscal Year Ended June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<i>Governmental Funds:</i>					
General	\$ 8,215,602	\$ 8,766,004	\$ 8,417,091	\$ 9,134,283	\$10,571,700
Other Special Revenue	4,693,593	5,441,628	6,190,169	6,941,278	7,694,922
Public Works	2,107,082	2,242,005	2,690,870	3,182,131	3,616,493
Debt Service	7,120,532	7,535,668	8,224,505	9,684,747	11,128,487
Other Governmental	<u>1,399,423</u>	<u>2,584,877</u>	<u>2,011,849</u>	<u>1,427,650</u>	<u>767,834</u>
Total	<u>\$23,536,232</u>	<u>\$26,570,182</u>	<u>\$27,534,484</u>	<u>\$30,370,089</u>	<u>\$33,774,436</u>
<i>Proprietary Net Assets:</i>					
Solid Waste	\$(1,824,938)	\$(1,252,521)	\$(927,353)	\$(427,224)	\$210,866
Employee Ins.	<u>78,012</u>	<u>49,957</u>	<u>35,746</u>	<u>15,496</u>	<u>37,385</u>
Total	<u>\$(1,746,926)</u>	<u>\$(1,202,564)</u>	<u>\$(891,607)</u>	<u>\$(411,728)</u>	<u>\$248,251</u>

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues:					
Local taxes	\$ 12,387,774	\$ 11,779,244	\$ 12,013,747	\$ 13,351,621	\$ 14,539,682
Licenses and Permits	404,041	388,218	476,784	403,933	459,753
Fines, forfeitures and penalties	378,138	426,008	471,395	483,904	347,774
Charges for current services	3,630,559	3,651,892	3,488,321	3,581,986	3,610,504
Other local revenues	626,143	625,982	692,216	721,110	744,093
Fees Received From County Officials	1,845,487	1,894,898	2,068,874	1,966,679	1,844,280
State of Tennessee	2,187,219	1,692,283	2,028,501	1,954,086	1,773,383
Federal Government	649,486	653,027	896,746	856,289	1,124,697
Other Governments & Citizens Groups	155,030	398,661	144,200	144,147	199,603
Total Revenues	<u>\$ 22,263,877</u>	<u>\$ 21,510,213</u>	<u>\$ 22,280,784</u>	<u>\$ 23,463,755</u>	<u>\$ 24,643,769</u>
Expenditures:					
General Government	\$ 2,404,489	\$ 2,641,829	\$ 2,647,438	\$ 2,597,618	\$ 2,588,096
Finance	1,996,440	2,017,575	2,076,498	2,090,289	2,148,411
Administration of Justice	1,527,168	1,586,184	1,653,978	1,645,397	1,777,952
Public Safety	7,263,304	7,447,698	8,205,341	7,810,604	8,206,845
Public Health & Welfare	4,504,209	5,016,781	5,441,281	5,529,997	5,716,166
Social, Cultural & Recreational Services	669,826	649,282	697,815	671,128	669,169
Agricultural & Natural Resources	130,649	139,783	151,628	152,357	145,098
Other Operations	1,098,419	1,090,820	1,282,543	1,315,981	1,312,787
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	160,000	132,539
Total Expenditures	<u>\$ 19,594,504</u>	<u>\$ 20,589,952</u>	<u>\$ 22,156,522</u>	<u>\$ 21,973,371</u>	<u>\$ 22,697,063</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,669,373	\$ 920,261	\$ 124,262	\$ 1,490,384	\$ 1,946,706
Other Sources & Uses:					
Capitalized Lease Issued	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance Recovery	266,606	108,602	151,626	38,553	73,281
Other Loans Issued	-	-	-	-	-
Operating Transfers - In	-	-	-	-	-
Operating Transfers - Out	(820,667)	(478,461)	(624,801)	(811,745)	(582,570)
Total Expenditures & Other Uses	<u>\$ (554,061)</u>	<u>\$ (369,859)</u>	<u>\$ (473,175)</u>	<u>\$ (773,192)</u>	<u>\$ (509,289)</u>
Net Change in Fund Balances	\$ 2,115,312	\$ 550,402	\$ (348,913)	\$ 717,192	\$ 1,437,417
Fund Balance July 1	<u>6,100,290</u>	<u>8,215,602</u>	<u>8,766,004</u>	<u>8,417,091</u>	<u>9,134,283</u>
Fund Balance June 30	<u>\$ 8,215,602</u>	<u>\$ 8,766,004</u>	<u>\$ 8,417,091</u>	<u>\$ 9,134,283</u>	<u>\$ 10,571,700</u>

Source: Comprehensive Annual Financial Reports for Jefferson County, Tennessee

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

- (a) Public Utility Property, to be assessed at 55% of its value;

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

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Assessed Valuations. According to the Tax Aggregate 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 2021¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities		55%	
Commercial and Industrial		40%	
Personal Tangible Property		30%	
Residential and Farm		25%	
Total	<u>\$1,384,401,500</u>		<u>\$4,996,458,580</u>

¹ The tax year coincides with the calendar year, therefore tax year 2021 is actually fiscal year 2021-2022.
Source: 2020 Tax Aggregate Report of Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2022 (tax year 2021) is \$1,384,401,500 compared to \$1,368,013,304 for the fiscal year ending June 30, 2021 (tax year 2020). The estimated actual value of all taxable property for tax year 2021 is \$4,996,458,580 (estimated) compared to \$4,936,955,149 for tax year 2020.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2017 through 2021 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Year Collections		Aggregate Uncollected Balance	
Tax Year²	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2021	
						Amount	Pct
2017	\$1,195,514,518	\$2.35	\$28,100,266	\$26,723,925	95.1%	N/A	
2018	1,204,261,954	2.35	28,316,952	27,074,578	95.6%	N/A	
2019	1,338,846,329	2.19	29,339,315	28,254,226	96.3%	N/A	
2020	1,368,013,304	2.19	28,334,316	27,229,278	96.1%	1,105,038	3.9%
2021	1,384,401,500	2.19	30,339,245	IN PROCESS			

² The tax year coincides with the calendar year, therefore, tax year 2021 is actually fiscal year 2021-2022.

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Ten Largest Taxpayers. For the fiscal year ending June 30, 2021 (tax year 2020), the ten largest taxpayers in the County are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>Taxes Levied</u>
1. Bush Brothers & Company	Canned Foods	\$ 29,560,879	\$ 647,388
2. Appalachian Electric	Public Utility	26,028,437	570,023
3. Nyrstar Strawberry Plains	Zinc Mining	19,828,620	434,247
4. Ball Corp.	Canning	13,268,060	290,571
5. Oshkosh Manufacturing	Manufacturing	8,312,043	182,034
6. Old Domion	Transportation	7,863,123	172,202
7. 287 Partnership LLC	Industrial	6,284,360	137,627
8. McNeilus Steel	Manufacturing	5,903,459	116,031
9. Matsuo Industries	Industrial	5,427,286	118,858
10. Norfolk Southern	Transportation	<u>4,729,067</u>	<u>103,567</u>
TOTAL		<u>\$127,205,334</u>	<u>\$2,772,548</u>

Source: The County.

Source: The County.

PENSION PLANS

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

JEFFERSON COUNTY, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2020

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Jefferson County for the fiscal year ended June 30, 2020 which is available upon request from the County.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Financial Statements and Supplemental Schedules

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)



JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jefferson County Nursing Home
Dandridge, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Jefferson County Nursing Home (the "Nursing Home"), a component unit of Jefferson County, Tennessee, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Nursing Home'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 audits. We conducted our audits 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 audits 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Jefferson County Nursing Home as of June 30, 2021 and 2020 and the respective changes in financial position and, where applicable, 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 4 - 11, the schedules of the Nursing Home's proportionate share of the net pension asset based on participation in the public employee retirement plan (the "Hybrid Plan") of Tennessee Consolidated Retirement System ("TCRS"), the schedules of the Nursing Home's contributions based on participation in the Hybrid Plan of TCRS, the schedules of the Nursing Home's proportionate share of the net pension asset based on participation in the public employee pension plan (the "Legacy Plan") of TCRS, the schedules of the Nursing Home's contributions based on participation in the Legacy Plan of TCRS, schedules of the Nursing Home's OPEB liability and related ratios and notes to schedules of required supplementary information on pages 56 - 61 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nursing Home's basic financial statements. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2022, on our consideration of the Nursing Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Nursing Home'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 Nursing Home's internal control over financial reporting and compliance.

LBMC, PC

Knoxville, Tennessee
January 5, 2022

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Management's Discussion and Analysis (Unaudited)

June 30, 2021, 2020, and 2019

As management of Jefferson County Nursing Home dba Jefferson Park at Dandridge ("JCNH" or "Nursing Home"), we offer readers of the financial statements this narrative overview and analysis of the financial performance during the years ended June 30, 2021, 2020, and 2019. Please read this analysis in conjunction with JCNH's financial statements.

FINANCIAL HIGHLIGHTS

JCNH's net position increased by \$2,016,827, \$1,068,455 and \$695,615 for the years ended June 30, 2021, 2020 and 2019, respectively.

JCNH produced income from operations of \$147,306, \$1,209,083 and \$844,807 for the years ended June 30, 2021, 2020 and 2019, respectively.

Operating revenues decreased by 1.5% for the year ended June 30, 2021, increased 2.3% during year ended June 30, 2020; and increased 4.8% for the year ended June 30, 2019. Operating expenses increased 6.6% for the year ended June 30, 2021, increased 0.3% for the year ended June 30, 2020 and increased 5.7% for the year ended June 30, 2019.

USING THESE ANNUAL FINANCIAL STATEMENTS

Jefferson County Nursing Home is considered a "component unit" of Jefferson County, Tennessee. Component units are separate legal entities; however, Jefferson County is financially accountable for the Nursing Home. Therefore, Jefferson County reports financial information regarding the Nursing Home in its annual report.

The Nursing Home is operating much like a private-sector company and is considered a business-type activity of Jefferson County. The Nursing Home charges residents for the services it provides.

This annual report of the Jefferson County Nursing Home consists of a series of financial statements. The Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows (which begin on page 12) provide information about the Nursing Home's operations. These statements include all assets and liabilities of the Nursing Home using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the Nursing Home's operating revenues and expenses for the years ended June 30, 2021 and 2020 are taken into account regardless of when cash is received or paid.

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June 30, 2021, 2020, and 2019

The Statements of Net Position and the Statements of Revenue, Expenses and Changes in Net Position report the Nursing Home's net position and changes in them. The term "net position" is the difference between assets and liabilities as of a certain point in time. The financial health, or financial position, of the Nursing Home can be measured in part by the amount of its net position. Over time, increases or decreases in the Nursing Home's net position are one indicator of whether its financial health is improving or deteriorating. Of course, there are other non-financial factors in assessing the overall health of the Nursing Home, such as quality of patient care and the base of potential Nursing Home residents in the area.

NURSING HOME DETAILS

The Nursing Home's operations produced operating income of \$147,306 and \$1,209,083 for the years ended June 30, 2021 and 2020, respectively. After adding nonoperating income and expenses, the total increase in the Nursing Home's net position for the years ended June 30, 2021 and 2020 was \$2,016,827 and \$1,068,455, respectively. The unrestricted net position - the part of the net position that can be used to finance day-to-day operations without constraints established by legal requirements or board designations - increased from \$3,584,099 at June 30, 2020 to \$4,528,118 at June 30, 2021, an increase of \$944,019. The unrestricted net position increased from \$3,479,232 at June 30, 2019 to \$3,584,099 at June 30, 2020, an increase of \$104,867.

Total operating revenue of the Nursing Home decreased \$211,881 or 1.5% during 2021 compared to 2020. The 2021 operating revenues include \$761,924 of earned reimbursements for lost revenues and COVID related expenses under the Provider Relief Funds received from the U.S. Department of Health & Human Services ("HHS") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") to assist with the financial impacts of COVID-19, as compared to \$368,924 earned during 2020. The Nursing Home received an additional \$823,438 and \$216,644 of TennCare funding during 2021 and 2020, which originated with the federal Family First Coronavirus Response Act which provides an increase in the regular Medicaid Federal Medical Assistance Percentage ("FMAP") the federal government provides to each state as part of funding of the Medicaid program. The Nursing Home received a Paycheck Protection Program loan in the amount of \$1,239,737 during 2021 from the U.S. Small Business Administration under the CARES Act which was forgiven during 2021 and included in nonoperating income. In addition, the Nursing Home received the cash benefit related to bond issuances made by Jefferson County, Tennessee in 2021 with bond premiums totaling \$1,102,340 over the face value of the bonds which is included in nonoperating income. Combined operating revenues and nonoperating income increased \$2,122,742 or 15.1% during 2021 compared to 2020. Medicaid days decreased by 17.7% (5,341 days) in 2021, but overall reimbursement rates increased 2.7%. Hospice days decreased by 40% (2,996 days) in 2021. Medicare Part A days increased by 25% (1,071 days) in 2021. Due to the nature of skilled nursing services provided for Medicare Part A patients the Medicare Part A reimbursement rates are higher than both Medicaid, Hospice and private pay rates. Total revenue of the Nursing Home increased \$320,261 or 2.3% during 2020 compared to 2019. Medicaid days decreased by 6.8% (2,224 days) in 2020, but overall reimbursement rates increased by .5% compared to 2019. Hospice days increased by 29.7% (1,641 days) in 2020. Medicare Part A days decreased by 18.1% (947 days). Total revenue of the Nursing Home increased \$639,015 of 4.9% during

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(a component unit of Jefferson County)

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June 30, 2021, 2020, and 2019

2019 compared to 2018. The 2019 increase was primarily comprised of an increase of 4.5% in Medicaid reimbursement rates and 1,405 private pay days offset by a decrease of 422 Medicare days and 873 Hospice days.

The Medicaid portion of chargeable days was 24,881 out of a total of 46,463, or 53.6% for 2021, and was 30,222 out of a total of 53,374, or 56.6%, for 2020. Medicaid revenue was 44.1% and 47.8% of total operating revenue for 2021 and 2020, respectively, and continues to constitute a significant portion of the Nursing Home's revenue. The Medicare portion of chargeable days was 5,353 out of a total of 46,463, or 11.5%, for 2021, and was 4,282 out of a total of 53,374, or 8.0%, for 2020. Medicare Parts A & B revenue was 21.1% and 17.2% of 2021 and 2020 total operating revenue, respectively.

In order to compete with other nursing homes and assisted living facilities, the Nursing Home is continually evaluating its services and making changes in order to give the very best care to residents. Historically, Jefferson County Nursing Home has had a waiting list of persons awaiting admission. With that in mind, a construction project added 25 beds to the facility effective May 24, 2010. The vision for this addition was unique and forward thinking, in that the new space was to be a home where the residents enjoy an excellent quality of care and life. One of the newest concepts in the nursing home industry is that of Green House homes, which fit the vision for the bed addition. According to The Greenhouse Project's web-site, the Green House model is a de-institutionalization effort designed to restore individuals to a home in the community by combining small homes with the full range of personal care and clinical services expected in high-quality nursing homes. Apart from the construction costs, the Nursing Home incurred significant expenses in developing this project and implementing the conceptual framework.

Jefferson County Nursing Home continued with Phase II of construction, which consisted of renovations to the legacy building. Construction began during the fiscal year ended June 30, 2011 and was completed in October 2012. The Nursing Home management believes the addition was necessary to serve the residents of Jefferson County now and into the future, demonstrated by the fact that the Nursing Home consistently has historically had prospective residents on their waiting list.

Looking to the future, as a result of Jefferson County Nursing Home sustained census above 90% for 2020 and several prior years and the increasing aging demographic in Jefferson County, the Board of Directors expressed the desire to expand services into the community of White Pine, Tennessee. The reason for choosing White Pine was the growth in that area particularly around Exit 4 off of I-81. Suitable property was purchased in early fiscal year 2020 at 1513 Main Street in White Pine, Tennessee. In December 2020, Jefferson County issued \$7,750,000 of General Obligation Bonds, Series 2020B to fund the new construction in White Pine.

Over the past several years, there has been an increase in the availability of assisted living facilities which has caused, in part, the acuity of patients entering the Nursing Home to increase. This increased frailty causes the residents to be more dependent on Nursing Home staff to help them with the basic activities of daily living and to take care of their progressively complicated medical needs.

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Residents rely on the Nursing Home staff to keep them clean, fed and safe. Perhaps more importantly, the work of our Nursing Home staff requires more than just completing tasks. Jefferson County Nursing Home strives to maintain a high quality of care, recognizing that the Nursing Home is "home" for our residents. Our staff must have time to just talk with and build relationships with residents in order to help residents develop a good quality of life. Quality care provided by Certified Nursing Assistants ("CNA") and professional nurses in our nursing home takes time and costs money. In order to maintain staffing levels with quality personnel, Jefferson County Nursing Home has to provide comparable compensation and benefit packages with other nursing homes and hospitals.

The costs associated with maintaining staffing and providing benefits has continued to rise. Over the long run, adequate staffing can actually prevent additional costs; there is a correlation between low staffing levels and the likelihood of quality problems, including avoidable hospitalizations, deteriorating activities of daily living and increased incidence of pressure sores, weight loss and poor resident hygiene. There is also some cost savings to be realized through adequate staffing by reducing expenses related to staff injuries, and frequent recruiting and training. The Nursing Home's overall staffing levels were similar during 2021 compared to 2020 and decreased 3% during 2020 compared to 2019 and increased 4% during 2019 compared to 2018; salaries, wages and benefits increased approximately \$181,000 in 2021 compared to 2020; \$40,000 in 2020 compared to 2019; and increased approximately \$553,000 in 2019 compared to 2018.

Jefferson County Nursing Home's percentage of occupancy was 79.56% for the year ended June 30, 2021, which was a decrease from the 91.14% percentage of occupancy for the year ended June 30, 2020, which was a decrease from the 93.52% occupancy percentage for the year ended June 30, 2019. The primary cause of the 2021 decrease was due to the COVID-19 pandemic which has caused delays in potential residents moving to the Nursing Home. But also as stated earlier, due to the increased frailty for many of the Nursing Home residents, the residents' life spans after entering the Nursing Home are not as long as in the past, which has the potential to increase turn-around times on filling available beds, increase empty bed days, and decrease occupancy rates and revenues.

Participation in the Medicaid and Medicare programs requires the Nursing Home's commitment to following all the rules and regulations promulgated by these government programs. These regulations are ever changing and require the Nursing Home personnel to continue to learn through educational programs and seminars as well as on the job experience. Jefferson County Nursing Home's procedures and collections with respect to the Medicaid/Medicare programs have improved significantly over the past several years.

Jefferson County Nursing Home has a significant number of residents who qualify for Medicaid assistance. Beginning in 2019, the Medicaid program reimbursement model for Medicaid residents changed to a formula that considers the facility specific direct care costs, fair rental value of the physical assets, quality, and case mix. The combined per-diem rate was \$227.16 for 2021, \$221.20 for 2020 and \$220.07 for 2019. The per-diem rate for private pay residents in private rooms was \$207.00 for the period January 1, 2018 through August 1, 2018; \$224.00 for the month of August 2018 and \$231.00 for the period September 1, 2018 through June 30, 2021. The per-diem rate for private pay

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residents in semi-private rooms was \$197.00 for the period from January 1, 2018 through August 1, 2018; \$214.00 for the month of August 2018; \$221.00 for the period September 1, 2018 through August 31, 2019 and \$222.00 for the period September 1, 2019 through December 31, 2020 and \$228.00 for the period January 1, 2021 through June 30, 2021.

Operating costs increased 6.6% for the year ended June 30, 2021 primarily related to an increase of approximately \$600,000 in COVID related expenses, while 2020 operating costs decreased by 0.3% from 2019 primarily related to a \$39,866 increase in salaries and wage costs net of a reduction of \$126,069 in ancillary services expenses as Medicare skilled census decreased compared to 2019. Operating costs in 2019 increased by 5.7% from 2018 primarily related to a \$553,104 increase in salaries and wage costs. The Nursing Home administration feels that maintaining a quality level of personnel at competitive wage rates and rewarding job performance is a key factor to the Nursing Home's success in providing the best quality of life that it can for its residents (see discussion above).

The following tables summarize the Nursing Home's Net Position (Table 1), and Changes in Net Position (Table 2) as of and for the years ended June 30, 2021, 2020 and 2019:

Table 1
Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 14,371,146	\$ 5,360,539	\$ 4,495,624
Capital assets	<u>7,173,000</u>	<u>7,143,346</u>	<u>6,696,141</u>
Total assets	<u>21,544,146</u>	<u>12,503,885</u>	<u>11,191,765</u>
Deferred outflows of resources	<u>857,594</u>	<u>779,199</u>	<u>776,819</u>
Due to primary government outstanding	(13,285,000)	(5,880,000)	(6,145,000)
OPEB liability	(236,237)	-	-
Other liabilities	<u>(635,547)</u>	<u>(1,037,410)</u>	<u>(598,149)</u>
Total liabilities	<u>(14,156,784)</u>	<u>(6,917,410)</u>	<u>(6,743,149)</u>
Deferred inflows of resources	<u>225,195</u>	<u>362,740</u>	<u>290,956</u>
Net position:			
Net investment in capital assets	2,393,161	1,263,346	551,141
Restricted component of net position - expendable:			
Pension benefits & stabilization reserve	1,086,669	1,141,679	889,809
Scholarships	11,813	13,810	14,297
Unrestricted	<u>4,528,118</u>	<u>3,584,099</u>	<u>3,479,232</u>
Total net position	<u>\$ 8,019,761</u>	<u>\$ 6,002,934</u>	<u>\$ 4,934,479</u>

JEFFERSON COUNTY NURSING HOME
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Management's Discussion and Analysis (Unaudited)

June 30, 2021, 2020, and 2019

Table 2
Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue:			
Routine services	\$ 10,041,831	\$ 11,304,975	\$ 11,241,618
Medicare - Part A revenue	2,389,680	1,912,176	2,301,644
Medicare - Part B ancillaries	303,296	440,549	443,360
Bad debts	(482,715)	(170,668)	(231,670)
Provider relief funds	761,924	368,924	-
FMAP funds	823,438	216,644	-
Paycheck protection program loan forgiveness	1,239,737	-	-
Premium on bonds issued by Jefferson County for the benefit of Jefferson County Nursing Home	1,102,340	-	-
Other	<u>43,892</u>	<u>28,091</u>	<u>25,478</u>
Total revenue	<u>16,223,423</u>	<u>14,100,691</u>	<u>13,780,430</u>
Expenses:			
General and administrative	2,430,564	2,264,870	2,224,732
TN nursing facility assessment fee	836,260	818,005	754,034
Nursing	6,158,591	5,283,334	5,227,961
Activities and social services	353,428	391,007	410,923
Dietary	1,026,694	1,134,466	1,123,256
Housekeeping	313,070	290,078	279,008
Laundry & linen	175,089	170,707	169,176
Plant operation and maintenance	614,977	673,211	732,880
Ancillary services expense	1,205,966	1,225,096	1,351,165
Drugs	268,039	261,932	295,440
Depreciation	349,594	369,670	361,879
Interest	<u>474,324</u>	<u>149,860</u>	<u>154,361</u>
Total expenses	<u>14,206,596</u>	<u>13,032,236</u>	<u>13,084,815</u>
Increase in net position	<u>\$ 2,016,827</u>	<u>\$ 1,068,455</u>	<u>\$ 695,615</u>

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Management's Discussion and Analysis (Unaudited)

June 30, 2021, 2020, and 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021 Jefferson County Nursing Home had \$7,173,000 invested in net capital assets, the majority of which was invested in buildings (\$5,824,170). The remaining capital assets consisted of land, land improvements, equipment and fully depreciated vehicles. Net capital assets increased by \$29,654 in 2021, increased \$447,205 in 2020 and decreased \$166,738 in 2019. The increases/decreases were net of current year additions and current year depreciation. A more detailed asset addition listing is included in Table 4 below.

The following tables summarize the Nursing Home's capital assets for as of June 30, 2021, 2020 and 2019 (Table 3) and capital asset additions for the years ended June 30, 2021, 2020 and 2019 (Table 4).

Table 3
Capital Assets at June 30, (net of depreciation)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 299,101	\$ 299,101	\$ 7,181
Land improvements	74,855	90,323	106,717
Buildings	5,824,170	6,079,602	6,097,627
Departmental Equipment	284,527	362,008	468,705
Motor vehicles	16,962	-	-
Construction in progress	<u>673,385</u>	<u>312,312</u>	<u>15,911</u>
Totals	<u>\$ 7,173,000</u>	<u>\$ 7,143,346</u>	<u>\$ 6,696,141</u>

Table 4
Current Year Additions - at Cost

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ -	\$ 291,920	\$ -
Land improvements	-	-	6,537
Buildings	-	228,554	144,292
Departmental Equipment	-	-	28,402
Motor vehicles	18,174	-	-
Construction in progress	<u>361,074</u>	<u>296,401</u>	<u>15,910</u>
Total Additions	<u>\$ 379,248</u>	<u>\$ 816,875</u>	<u>\$ 195,141</u>

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Management's Discussion and Analysis (Unaudited)

June 30, 2021, 2020, and 2019

Debt

At June 30, 2021, the Nursing Home had \$13,285,000 payable in outstanding debt to Jefferson County relating to bond issuances made by Jefferson County. \$5,535,000 of the balance relates to bonds that were issued on June 25, 2021 ("Series 2021B") which were issued to retire the original Series 2014 and Series 2016 bonds that were issued on May 15, 2014 ("Series 2014") and May 13, 2016 ("Series 2016"). The remaining \$7,750,000 of the balance relates to bonds that were issued on December 15, 2020 ("Series 2020B") which were issued to fund the construction of a thirty bed facility in White Pine, Tennessee. The bonds are general obligation and refunding bonds of Jefferson County; however, the Nursing Home will be responsible for paying all principal and interest due on the bonds. More extensive information concerning the bond issue can be found in Note (8) of the financial statements.

The Nursing Home has other current liabilities due at June 30, 2021, including normal accounts payable, salaries payable and vacation leave payable.

Nursing Home Board of Directors and Executive Staff

As of June 30, 2021

Board of Directors:

Mark Potts, Chairman of the Board
Linda Franklin, Treasurer
Carolyn Voiles, Secretary
Murrel Jarnigan, Board Member
Tim Seals, Board Member

Administration:

Roger L. Mynatt, Administrator
Amanda Pruitt, Assistant Administrator
Rual Swanson, Medical Director

CONTACTING THE NURSING HOME'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, patients and their families, and creditors with a general overview of the Nursing Home's finances and to show the Nursing Home's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jefferson County Nursing Home's business office at 914 Industrial Park Road, Dandridge, Tennessee 37725.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,001,527	\$ 2,607,940
Certificates of deposit	206,090	204,891
Patient accounts receivable, net of allowance for uncollectable accounts of \$300,000 and \$167,412 in 2021 and 2020, respectively	1,384,100	1,323,237
Inventories	53,031	45,631
Prepaid expenses	19,370	18,651
Estimated third-party payor settlements	98,685	-
Total current assets	4,762,803	4,200,350
Restricted assets:		
Cash - scholarships for employees	11,813	13,810
Stabilization reserve trust	178,254	107,889
Cash held by Jefferson County for capital project (Note 7)	8,505,161	-
Total restricted assets	8,695,228	121,699
Property and equipment, net	7,173,000	7,143,346
Land held for investment	4,700	4,700
Net pension asset	908,415	1,033,790
Total assets	21,544,146	12,503,885
Deferred outflows of resources:		
Pension changes in experience	103,583	125,870
Pension changes in investment earnings	121,897	-
Pension changes in assumptions	101,628	153,577
Pension contributions after the measurement date	491,204	499,752
OPEB changes in assumptions	35,090	-
OPEB contributions after the measurement date	4,192	-
Total deferred outflows of resources	857,594	779,199

See accompanying notes to the financial statements.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities:		
Current liabilities:		
Current portion due to primary government	\$ 305,000	\$ 270,000
Accounts payable	187,771	181,875
Accrued expenses:		
Salaries and wages	147,958	134,010
Compensated absences	160,042	155,743
Payroll taxes	42,395	39,000
Employee retirement	57,333	56,343
Interest	26,451	11,827
Other	13,597	12,499
Deferred revenue	-	370,546
Estimated third-party payor settlements	-	75,567
Total current liabilities	940,547	1,307,410
Due to primary government, excluding current portion	12,980,000	5,610,000
OPEB liability	236,237	-
Total liabilities	14,156,784	6,917,410
Deferred inflows of resources:		
Pension changes in experience	141,600	178,250
Pension changes in investment earnings	-	184,490
OPEB changes in experience	76,868	-
OPEB changes in assumptions	6,727	-
Total deferred inflows of resources	225,195	362,740
Net position:		
Net investment in capital assets	2,393,161	1,263,346
Unrestricted	4,528,118	3,584,099
Restricted component of net position - expendable:		
Pension benefits	908,415	1,033,790
Stabilization reserve trust	178,254	107,889
Scholarships	11,813	13,810
Total net position	\$ 8,019,761	\$ 6,002,934

See accompanying notes to the financial statements.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Statements of Revenue, Expenses and Changes in Net Position

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Patient service revenue	\$ 13,837,454	\$ 14,072,600
Other revenue	<u>42,124</u>	<u>18,859</u>
Total operating revenue	<u>13,879,578</u>	<u>14,091,459</u>
Operating expenses:		
General and administrative	2,430,564	2,264,870
Tennessee nursing facility assessment fee	836,260	818,005
Nursing	6,158,591	5,283,334
Activities	97,472	103,177
Social services	255,956	287,830
Dietary	1,026,694	1,134,466
Housekeeping	313,070	290,078
Laundry and linen	175,089	170,707
Plant operation and maintenance	614,977	673,211
Ancillary services expenses	1,205,966	1,225,096
Drugs	268,039	261,932
Depreciation	<u>349,594</u>	<u>369,670</u>
Total operating expenses	<u>13,732,272</u>	<u>12,882,376</u>
Operating income	<u>147,306</u>	<u>1,209,083</u>
Nonoperating income (expenses):		
Interest income - investments and interest bearing accounts	1,765	9,219
Premium on bonds issued by Jefferson County for the benefit of Jefferson County Nursing Home	1,102,340	-
Interest expense	(474,324)	(149,860)
Paycheck Protection Program loan forgiveness	<u>1,239,737</u>	<u>-</u>
Total nonoperating income (expenses)	<u>1,869,518</u>	<u>(140,641)</u>
Excess of revenue over expenses	2,016,824	1,068,442
Restricted component of net position - expendable - interest income	<u>3</u>	<u>13</u>
Increase in net position	2,016,827	1,068,455
Net position at beginning of year	<u>6,002,934</u>	<u>4,934,479</u>
Net position at end of year	<u><u>\$ 8,019,761</u></u>	<u><u>\$ 6,002,934</u></u>

See accompanying notes to the financial statements.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 12,861,247	\$ 14,318,998
Payments to suppliers for goods or services	(6,221,569)	(6,084,349)
Payments to employees for services	(6,691,749)	(6,442,432)
Other receipts and payments, net	<u>42,124</u>	<u>18,859</u>
Net cash (used) provided by operating activities	<u>(9,947)</u>	<u>1,811,076</u>
Cash flows from noncapital financing activities:		
Proceeds from Paycheck Protection Program loan	<u>1,239,737</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Increase in cash restricted for capital project	(8,505,161)	-
Principal paid on due to primary government	(5,880,000)	(265,000)
Interest paid on due to primary government	(196,780)	(150,294)
Purchases of property and equipment	(379,248)	(816,875)
Proceeds from due to primary government	13,285,000	-
Proceeds from premium on bonds issued by Jefferson County for the benefit of Jefferson County Nursing Home	1,102,340	-
Payment of issuance costs on bonds issued by Jefferson County for the benefit of Jefferson County Nursing Home	<u>(262,920)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(836,769)</u>	<u>(1,232,169)</u>
Cash flows from investing activities:		
Purchases of certificates of deposit	(1,199)	(4,891)
Investment income	<u>1,765</u>	<u>9,219</u>
Net cash provided by investing activities	<u>566</u>	<u>4,328</u>
Increase in cash and cash equivalents	393,587	583,235
Cash and cash equivalents at beginning of year	<u>2,607,940</u>	<u>2,024,705</u>
Cash and cash equivalents at end of year	<u>\$ 3,001,527</u>	<u>\$ 2,607,940</u>
Reconciliation of operating income to net cash (used) provided by operating activities:		
Operating income	\$ 147,306	\$ 1,209,083
Adjustments to reconcile operating income to net cash (used) provided by operating activities:		
Depreciation	349,594	369,670
Bad debt expense	482,715	170,668
(Increase) decrease in operating assets and deferred outflows:		
Patient accounts receivable	(543,578)	(178,486)
Inventories	(7,400)	(17,212)
Prepaid expenses	(719)	(376)
Stabilization reserve trust	(70,365)	(45,475)
Net pension asset	125,375	(206,395)
OPEB liability	236,237	-
Deferred outflows - pension	(43,304)	(2,380)
Deferred outflows - OPEB	(35,091)	-
Restricted cash - scholarship for employees	2,000	500
Increase (decrease) in operating liabilities and deferred inflows:		
Accounts payable	5,896	(46,644)
Accrued expenses	23,730	61,888
Estimated third-party payor settlements	(174,252)	53,905
Deferred inflows - pension	(221,140)	71,784
Deferred inflows - OPEB	83,595	-
Deferred revenue	<u>(370,546)</u>	<u>370,546</u>
Net cash provided by operating activities	<u>\$ (9,947)</u>	<u>\$ 1,811,076</u>

See accompanying notes to the financial statements.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2021 and 2020

(1) Nature of operations

Jefferson County Nursing Home dba Jefferson Park at Dandridge ("Nursing Home") is a component unit of Jefferson County, Tennessee ("County"). The Nursing Home provides long-term health care primarily for the citizens of the County. It is governed, operated and controlled by a five-member board of commissioners who are appointed by the Board of County Commissioners of the County. The County is legally obligated to assume the Nursing Home's debt in the event of default and is legally obligated to provide financial support, making the County financially accountable for the Nursing Home. Therefore, the Nursing Home constitutes a component unit of the County for financial reporting purposes.

(2) Summary of significant accounting policies

(a) Basis of presentation

The Nursing Home utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. The Governmental Accounting Standards Board ("GASB") *Accounting Standards Codification* is the sole source of authoritative accounting technical literature for governmental entities in the United States of America.

(b) Inventories

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

(c) Cash, cash equivalents and investments

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

Restricted cash is held in a bank account held by the County for the benefit of the Nursing Home.

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

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2021 and 2020

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

(d) Patient account receivable

Patient accounts receivable consists primarily of amounts due from third-party payors and residents. In evaluating the collectibility of patient accounts receivable, the Nursing Home considers a number of factors, including age of the accounts, changes in collection patterns, the composition of the resident accounts by payor type, the status of ongoing disputes with third-party payors, and general industry conditions. Actual collections of patient accounts receivable in subsequent periods may require changes in previously recorded estimates. Changes in these estimates are charged or credited to the results of operations in the period of change.

(e) Estimated third-party payor settlements

Estimated third-party payor settlements represents the excess or deficit of advances received from Medicare for bad debts on the patient responsibility portion of Medicare covered resident services over the actual related bad debts incurred to date.

(f) Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Nursing Home has certificates of deposit totaling \$206,090 and \$204,891 as of June 30, 2021 and 2020, respectively, and net pension asset of \$908,415 and \$1,033,790 as of June 30, 2021 and 2020, respectively, which are classified as Level 2 within the hierarchy above. The Nursing Home does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2021 or 2020. See Note (10) for additional specific fair value disclosures related to the Stabilization Reserve Trust ("SRT").

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2021 and 2020

Financial assets

Excluding the amounts held in the SRT, the carrying amount of other financial assets, consist of cash and cash equivalents, certificates of deposit, patient accounts receivable, prepaid expenses, accounts payable, accrued expenses and current portion due to primary government approximate their fair value due to their relatively short maturities. Non-current due to primary government is carried at amortized cost, which approximates fair value.

Non-financial assets

The Nursing Home's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Nursing Home is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at fair value. During the years ended June 30, 2021 and 2020, the Nursing Home did not measure any non-financial assets at fair value or recognize any amounts in the statements of revenue, expenses and changes in net position related to changes in fair value for non-financial assets.

(g) Property and equipment

Property and equipment acquisitions are recorded at cost. The Nursing Home capitalizes purchases that cost a minimum of \$5,000 and have a useful life greater than two years. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 10-12 years; buildings and improvements 10-40 years; equipment 4-20 years, and transportation equipment 5-7 years.

(h) Patient service revenue

The Nursing Home has agreements with third-party payors that provide for payments to the Nursing Home at amounts different from its established rates. Payment arrangements include prospectively determined per diem rates per day and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments of approximately \$4,000 and \$385,000 for the years ended June 30, 2021 and 2020, respectively.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2021 and 2020

(i) Operating activities

The Nursing Home defines operating activities as reported on the statements of revenue, expenses and changes in net position as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Non-exchange transactions, including investment income and interest expense, are considered non-operating revenue and expenses.

(j) Pension plans

For purposes of measuring the SRT, net pension asset, deferred outflows of resources and deferred inflows of resources related to the pension, and pension expense, information about the fiduciary net position of the Nursing Home's participation in the SRT, the Public Employee Retirement Plan and the Public Employee Pension Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to/deductions from the Nursing Home's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the SRT, the Public Employee Retirement Plan and the Public Employee Pension Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the SRT, the Public Employee Retirement Plan and the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value. See Note (9) for further information related to the pension plans and Note (10) for further information related to the SRT.

(k) Other Postemployment Benefit ("OPEB") Plan

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

(l) Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Nursing Home has items that qualify for reporting in this category. They are for pension and OPEB changes in experience, assumptions and investment earnings, pension contributions after the measurement date and OPEB contributions after the measurement date.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2021 and 2020

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Nursing Home has items that qualify for reporting in this category. They are for pension and OPEB changes in experience, assumptions and changes in investment earnings.

(m) Compensated absences

The Nursing Home provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The vacation paid days off begin accruing after one year of service and are based on the table which follows. Such days may be taken only after the employee has earned them. Prior to January 1, 2018, there was no limit on the amount of earned days which may be carried forward if not taken in the year earned; however, effective January 1, 2018, all earned days must be taken annually, except that an employee may carry forward up to the number of days earned annually, based on years of service. Such liabilities have been accrued in the accompanying statements of net position.

<u>Years of service</u>	<u>Days earned per year</u>
1-9	10
10-19	15
20 or more	20

(n) Risk management

The Nursing Home is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters.

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2021 and 2020

(o) Net position

All resources that are not restricted by donors are included in unrestricted net position. Resources temporarily restricted by donors for specific purposes are reported as restricted component of net position - expendable. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net position and reported in the statement of revenue, expenses and changes in net position. Resources temporarily restricted by donors for additions to property and equipment are initially reported as restricted component of net position - expendable and are transferred to unrestricted net position when expended. Donor-imposed restrictions which stipulate that the resources be maintained permanently are reported as restricted component of net position - unexpendable. Investment income for the restricted component of net position - unexpendable is classified as either restricted component of net position - expendable or unrestricted based on the intent of the donor. As of June 30, 2021 and 2020, the Nursing Home had restricted component of net position - expendable of \$908,415 and \$1,033,790, respectively, relating to the net pension asset as well as restricted component of net position - expendable designated for employee scholarships as discussed in Note (4) and restricted component of net position - expendable related to the SRT as discussed in Note (10). As of June 30, 2021 and 2020, there was no restricted component of net position - unexpendable.

The Nursing Home first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

(p) Income taxes

The Nursing Home as a component unit of the County is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

(q) Long-lived assets

Management evaluates the recoverability of its investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(r) Use of estimates

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

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2021 and 2020

(s) Performance indicator

Excess of revenue over expenses reflected in the accompanying statements of revenue, expenses and changes in net position is a performance indicator.

(t) New accounting pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The primary objective of this pronouncement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This pronouncement establishes a single model for lease accounting based on the payment provisions of the contract. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financing's of the right to use an underlying asset. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-to-use asset.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

These pronouncements are effective for the year ending June 30, 2022 and management is currently evaluating the impact of adoption.

(u) Reclassifications

Certain reclassifications have been made to the 2020 financial statements in order for them to conform to the 2021 presentation. COVID related expenses of \$43,269 were classified in general and administrative last year and have been restated as nursing in the current year. These reclassifications have no effect on operating income or net position as previously reported.

(v) Events occurring after reporting date

The Nursing Home has evaluated events and transactions that occurred between June 30, 2021 and January 5, 2022, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Financial Statements

June 30, 2021 and 2020

(3) COVID-19 pandemic

In January 2020, the Secretary of the U.S. Department of Health and Human Services declared a national public health emergency due to a novel strain of coronavirus ("COVID-19"). In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. During March 2020, the global pandemic began to affect the Nursing Home's employees, residents, business operations and financial performance, as well as the broader U.S. economy and financial markets. The Nursing Home is committed to protecting the health and safety of its residents and employees and has been responding to the evolving COVID-19 situation while taking steps to continue providing quality care. The Nursing Home closely follows infectious disease protocols, as well as recommendations by the Centers for Disease Control and Prevention, the National Health Service and local health officials. The Nursing Home has taken steps to secure its supply chain and implemented emergency planning. Nevertheless, COVID-19 continues to impact the Nursing Home's operations and may have an impact on its financial results that the Nursing Home is not currently able to quantify. Continuing disruptions to the Nursing Home's operations as a result of the COVID-19 pandemic could continue to have an effect on its results of operations, financial condition, and cash flows.

As part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") the U.S. government announced it would offer relief funding to eligible healthcare providers. During the years ended June 30, 2021 and 2020, the Nursing Home participated in certain relief programs offered through the CARES Act including distributions relating to the Public Health and Social Services Emergency Fund, which is referred to as the Provider Relief Fund ("PRF").

Amounts received from the PRF are subject to the terms and conditions of the program, including certification that payment will be used to prevent, prepare for and respond to coronavirus and shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus. The Nursing Home received PRF in the amount of \$739,470 during 2020 and earned \$368,924 of the funds during 2020 which were either spent on expenditures or reimbursed lost revenues allowed under the program. There was deferred revenue of \$370,546 as of June 30, 2020 representing PRF proceeds not yet earned at that date. The Nursing Home received additional PRF in the amount of \$391,378 during 2021 and earned a total of \$761,924 of PRF during 2021, which includes the \$370,546 of 2020 deferred revenue. There was no deferred revenue of this type at June 30, 2021.

The Nursing Home received an additional \$823,438 and \$216,644 of TennCare funding during 2021 and 2020, which is included in patient service revenue. The additional funding originated with the federal Family First Coronavirus Response Act which provides a 6.2% increase in the regular Medicaid Federal Medical Assistance Percentage ("FMAP") that the federal government provides to each state as part of funding the Medicaid program. The State of Tennessee in turn passed through increased funding to providers. The federal funding increase to the states began effective January 1, 2020 and is set to end on the last day of the calendar quarter in which the COVID-19 public health emergency ends.

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2021 and 2020

The Nursing Home qualified for and received a \$1,239,737 loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the CARES Act during the year ended June 30, 2021. The principal amount of the PPP loan was subject to forgiveness upon the Nursing Home's request to the extent that the PPP loan was used to pay covered payroll costs, interest on mortgages, rent, personal protective equipment and utilities (collectively, "covered expenses"). The PPP loan was forgiven by the SBA in 2021 and is included in nonoperating income in the accompanying statements of revenue, expenses, and changes in net position.

(4) Restricted assets

Cash in the employee scholarship fund is available to provide scholarships to qualifying employees. Certain donations received are designated to be used for higher education of employees. Deposits to the fund come from private donations and monthly interest earned. The only withdrawals made are to award scholarships to qualifying employees. Scholarships awarded are subject to board approval. Two \$1,000 scholarships were awarded to employees during the year ended June 30, 2021. A \$500 scholarship was awarded to an employee during the year ended June 30, 2020.

During December 2020, Jefferson County issued \$7,750,000 in general obligation bonds to fund construction of a thirty bed facility in White Pine, Tennessee as described in Note (8). The face amount of the bonds net of issuance costs (\$7,402,821) were deposited into an account held in trust by County. As construction progresses, draws will be requested and the county finance officer will forward the funds to either the Nursing Home or directly to the vendor, as applicable. Additionally, the premium received on this bond issuance as well as a bond issuance in June 2021 totaling \$1,102,340 is also held in trust by the County for the White Pine project.

Investments held in the SRT will be utilized for employees benefits to be paid in the future. The SRT is a separate legal trust outside the Nursing Home's control which is more fully described in Note (10).

(5) Third-party reimbursement programs

The Nursing Home receives revenue under various third-party reimbursement programs which include Medicare, Medicaid, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the Nursing Home's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. There were no adjustments to revenue resulting from tentative or final settlements to estimated reimbursement amounts for the years ended June 30, 2021 and 2020.

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2021 and 2020

(a) Medicare

Medicare rates determined by the federal government for skilled nursing care are based on a Patient-Driven Payment Model ("PDPM"). The PDPM focuses on the unique, individual needs, characteristics and goals of each patient. Each patient is classified into a group based on criteria for each of five case-mix adjusted components (1) physical therapy (2) occupational therapy (3) speech language pathology (4) nursing care (5) non-therapy ancillary.

The patient is often responsible for a portion of the fee. For the patient portion of fees not collected after normal collection efforts with the filing of an annual cost report, the Nursing Home was reimbursed 65% of such uncollected fees.

(b) Medicaid/TennCare

The Medicaid/TennCare program reimburses the Nursing Home at a single prospective rate (per diem) for both skilled nursing and routine nursing care services rendered to Medicaid/TennCare beneficiaries. The single prospective rate considers the facility specific direct costs, fair rental value of the physical assets, quality and case mix.

(c) Commercial payors

The Nursing Home has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Nursing Home under these agreements includes contractually determined rates per day and discounts from established rates.

(d) Credit concentrations

The Nursing Home grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies. At June 30, 2021 and 2020, the Nursing Home had net receivables from the Federal Government (Medicare) of approximately \$284,000 and \$117,000, respectively, and from Medicaid of approximately \$538,000 and \$326,000, respectively. Medicare comprised 21% and 17% of patient service revenue (excluding Provider Relief Funds) for the years ended June 30, 2021 and 2020, respectively. Medicaid comprised 44% and 46%, of patient service revenue (excluding Provider Relief Funds) for the years ended June 30, 2021 and 2020, respectively.

JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2021 and 2020

(6) Inventories

A summary of inventories as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Food	\$ 11,300	\$ 10,790
Medical supplies	24,470	18,388
Housekeeping	6,385	6,868
Maintenance supplies	<u>10,876</u>	<u>9,585</u>
	<u>\$ 53,031</u>	<u>\$ 45,631</u>

(7) Property and equipment

The net investment in capital assets as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Property and equipment, net	\$ 7,173,000	\$ 7,143,346
Current portion of long-term debt	(305,000)	(270,000)
Due to primary government, excluding current portion	(12,980,000)	(5,610,000)
Restricted cash held by Jefferson County for capital project (unspent debt)	<u>8,505,161</u>	<u>-</u>
	<u>\$ 2,393,161</u>	<u>\$ 1,263,346</u>

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Notes to the Financial Statements

June 30, 2021 and 2020

The major classifications and changes in property and equipment as of and for the years ended June 30, 2021 and 2020 are as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions/ Transfers</u>	<u>Placed in Service/ Retirements</u>	<u>Balance at June 30, 2021</u>
Land	\$ 299,101	\$ -	\$ -	\$ 299,101
Land improvements	263,990	-	-	263,990
Buildings and improvements	10,271,626	-	-	10,271,626
Machinery and equipment	2,015,483	-	-	2,015,483
Transportation equipment	100,166	18,174	-	118,340
Construction in progress	<u>312,311</u>	<u>361,074</u>	-	<u>673,385</u>
	<u>13,262,677</u>	<u>379,248</u>	-	<u>13,641,925</u>
Less allowance for depreciation and amortization:				
Land improvements	(173,680)	(15,455)	-	(189,135)
Buildings and improvements	(4,192,025)	(255,431)	-	(4,447,456)
Machinery and equipment	(1,653,460)	(77,496)	-	(1,730,956)
Transportation equipment	<u>(100,166)</u>	<u>(1,212)</u>	-	<u>(101,378)</u>
	<u>(6,119,331)</u>	<u>(349,594)</u>	-	<u>(6,468,925)</u>
	<u>\$ 7,143,346</u>	<u>\$ 29,654</u>	<u>\$ -</u>	<u>\$ 7,173,000</u>
	<u>Balance at July 1, 2019</u>	<u>Additions/ Transfers</u>	<u>Placed in Service/ Retirements</u>	<u>Balance at June 30, 2020</u>
Land	\$ 7,181	\$ 291,920	\$ -	\$ 299,101
Land improvements	263,990	-	-	263,990
Buildings and improvements	10,043,072	228,554	-	10,271,626
Machinery and equipment	2,015,483	-	-	2,015,483
Transportation equipment	100,166	-	-	100,166
Construction in progress	<u>15,910</u>	<u>296,401</u>	-	<u>312,311</u>
	<u>12,445,802</u>	<u>816,875</u>	-	<u>13,262,677</u>
Less allowance for depreciation and amortization:				
Land improvements	(157,286)	(16,394)	-	(173,680)
Buildings and improvements	(3,945,445)	(246,580)	-	(4,192,025)
Machinery and equipment	(1,546,764)	(106,696)	-	(1,653,460)
Transportation equipment	<u>(100,166)</u>	-	-	<u>(100,166)</u>
	<u>(5,749,661)</u>	<u>(369,670)</u>	-	<u>(6,119,331)</u>
	<u>\$ 6,696,141</u>	<u>\$ 447,205</u>	<u>\$ -</u>	<u>\$ 7,143,346</u>

**JEFFERSON COUNTY NURSING HOME
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Notes to the Financial Statements

June 30, 2021 and 2020

(8) Due to primary government

A schedule of changes in the Nursing Home's long-term debt to the government of Jefferson County, Tennessee related to bond issuances as of and for the years ended June 30, 2021 and 2020 is as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2021</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds - 2020B (Balance Due to County)	\$ -	\$ 7,750,000	\$ -	\$ 7,750,000	\$ 305,000
General Obligation Refunding Bonds - 2021B (Balance Due to County)	-	5,535,000	-	5,535,000	-
General Obligation Refunding Bonds - 2014 (Balance Due to County)	1,925,000	-	(1,925,000)	-	-
General Obligation Refunding Bonds - 2016 (Balance Due to County)	<u>3,955,000</u>	<u>-</u>	<u>(3,955,000)</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,880,000</u>	<u>\$ 13,285,000</u>	<u>\$ (5,880,000)</u>	<u>\$ 13,285,000</u>	<u>\$ 305,000</u>
					<u>Amounts Due Within One Year</u>
	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	
General Obligation Refunding Bonds - 2014 (Balance Due to County)	\$ 2,175,000	\$ -	\$ (250,000)	\$ 1,925,000	\$ 255,000
General Obligation Refunding Bonds - 2016 (Balance Due to County)	<u>3,970,000</u>	<u>-</u>	<u>(15,000)</u>	<u>3,955,000</u>	<u>15,000</u>
	<u>\$ 6,145,000</u>	<u>\$ -</u>	<u>\$ (265,000)</u>	<u>\$ 5,880,000</u>	<u>\$ 270,000</u>

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(a component unit of Jefferson County)

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Jefferson County, Tennessee issued \$4,285,000 General Obligation Refunding Bonds, Series 2014 ("Series 2014"), dated May 15, 2014 to be used to call certain bond issuances outstanding by the County. The bonds were direct general obligations of Jefferson County, Tennessee payable from ad valorem taxes levied upon all taxable property within Jefferson County without limitation as to rate or amount. The full faith and credit of Jefferson County, Tennessee was irrevocably pledged to pay principal, redemption premiums, if any, and interest on the bonds. However, because the debt was incurred specifically for an addition to the Nursing Home and the Nursing Home has a legal obligation to repay the debt in full to the County, the bond transactions are reported on the Nursing Home's financial statements as obligations to the County. \$2,540,000 of the Series 2014 proceeds was assigned to be used to call a portion of a certain previous bond issuance obligation on June 1, 2016. The Nursing Home recorded an initial liability to the County of \$2,760,000 related to the Series 2014 bond issue comprised of the initial \$2,540,000 and \$220,000 of prefunded interest payments. The remaining \$1,525,000 of proceeds from Series 2014 relate to County uses other than the Nursing Home and are not an obligation of the Nursing Home.

The Series 2014 coupon rates ranged from 2.0% to 2.75% with interest payable in semi-annual payments on June 1 and December 1 and annual principal installments ranging from \$30,000 to \$295,000 each June 1. The final principal installment was originally due June 1, 2027.

Jefferson County, Tennessee issued \$4,215,000 General Obligation Refunding Bonds, Series 2016 ("Series 2016"), dated May 13, 2016 to be used to call certain bond issuances outstanding by the County. The Series 2016 was also a direct general obligation of the County with a similar pledge as the 2014 Series. The proceeds were used to call the remainder of a certain previous bond issuance obligation on June 1, 2016.

The Series 2016 coupon rates ranged from 2.0% to 2.75% with interest payable in semi-annual payments on June 1 and December 1 and annual principal installments ranging from \$15,000 to \$430,000 each June 1. The final principal installment was due June 1, 2037.

Jefferson County, Tennessee issued \$7,750,000 General Obligation Bonds, Series 2020B ("Series 2020B"), dated December 15, 2020 to be used to fund the construction of a thirty bed facility in White Pine, Tennessee. The Series 2020B are direct general obligations of Jefferson County, Tennessee payable from ad valorem taxes levied upon all taxable property within Jefferson County without limitation as to rate or amount. The full faith and credit of Jefferson County, Tennessee is irrevocably pledged to pay principal, redemption premiums, if any, and interest on the bonds. However, because the debt was incurred specifically for the Nursing Home's use and the Nursing Home has a legal obligation to repay the debt in full to the County, the bond transactions will be reported on the Nursing Home's financial statements as obligations to the County. The proceeds are being held in trust by Jefferson County until funds disbursements are required.

The Series 2020B coupon rate is set at 3% with interest payable in semi-annual payments on June 1 and December 1 and annual principal installments ranging from \$100,000 to \$405,000 each June 1, beginning June 1, 2023. The final principal installment is due June 1, 2050.

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Jefferson County, Tennessee issued \$5,535,000 General Obligation Refunding Bonds, Series 2021B ("Series 2021B"), dated June 25, 2021 to be used to call the remaining outstanding balances of the 2014 Series and 2016 Series bond obligations. The Series 2021B are direct general obligations of Jefferson County, Tennessee payable from ad valorem taxes levied upon all taxable property within Jefferson County without limitation as to rate or amount. The full faith and credit of Jefferson County, Tennessee is irrevocable pledged to pay principal, redemption premiums, if any, and interest on the bonds. However, because the debt was incurred specifically for the Nursing Home's use and the Nursing Home has a legal obligation to repay the debt in full to the County, the bond transactions will be reported on the Nursing Home's financial statements as obligations to the County.

The Series 2021B coupon rates range from 1.75% to 2.0% with interest payable in semi-annual payments on June 30 and December 1 and annual principal installments ranging from \$305,000 to \$395,000 each June 1. The final principal installment is due June 1, 2037.

The Series 2020B and Series 2021B were issued at a combined premium of \$1,102,340 which is amortized on the primary government's financial statements. Accordingly, the premium was recorded in nonoperating income in the statements of revenue, expenses and changes in net position of the Nursing Home for the year ended June 30, 2021, since the additional cash proceeds will be used by the Nursing Home. Combined issuance costs totaling \$262,920 were incurred with the Series 2020B and Series 2021B which is included with interest expense in the statements of revenue, expenses and changes in net position for the year ended June 30, 2021.

As of June 30, 2021, the Nursing Home has obtained approval from Jefferson County Commission for an additional \$1,500,000 subject to final determination of need of funds in order to complete the White Pine project.

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A summary of future maturities and interest of amounts due to the County related to Series 2020B and Series 2021B bond obligations as of June 30, 2021 is as follows:

<u>Year</u>	<u>Series 2020B Principal</u>	<u>Series 2021B Principal</u>	<u>Estimated Interest</u>	<u>Payments</u>
2022	\$ -	\$ 305,000	\$ 330,000	\$ 635,000
2023	100,000	305,000	331,000	736,000
2024	190,000	310,000	321,000	821,000
2025	195,000	315,000	309,000	819,000
2026	200,000	320,000	297,000	817,000
2027-2031	1,090,000	1,710,000	1,294,000	4,094,000
2032-2036	1,265,000	1,875,000	953,000	4,093,000
2037-2041	1,460,000	395,000	628,000	2,483,000
2042-2046	1,700,000	-	389,000	2,089,000
2047-2050	<u>1,550,000</u>	<u>-</u>	<u>118,000</u>	<u>1,668,000</u>
	<u>\$ 7,750,000</u>	<u>\$ 5,535,000</u>	<u>\$ 4,970,000</u>	<u>\$ 18,255,000</u>

(9) Pension plans

Public Employee Retirement Plan (the "Hybrid Plan")

(a) General information about the Hybrid Plan

Plan description

Employees of the Nursing Home, as a component unit of Jefferson County, with membership after July 1, 2016, are provided with a pension through a legally separate plan, referred to as the Public Employee Retirement Plan (the "Hybrid Plan"), an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated* ("TCA") Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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June 30, 2021 and 2020

Benefits provided under the Hybrid Plan

TCA Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Hybrid Plan's benefits are determined by a formula using the member's highest five consecutive years' average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members of the Hybrid Plan vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to 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. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

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June 30, 2021 and 2020

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out by law. Employees in the Hybrid Plan are required to contribute five percent of their salary to the pension portion of the plan. In addition, the component units of Jefferson County make employer contributions at the contribution rate set by the Board of Trustees as determined by actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. For the years ended June 30, 2021 and 2020, employer contributions by the Nursing Home for the Hybrid Plan were \$182,609 and \$216,644, respectively, based on a rate of 1.10% of covered payroll. An additional 2.90% of covered payroll is submitted to the SRT. See footnote (10) for additional information on the SRT. By law, employer contributions are required to be paid. The TCRS may intercept Jefferson County's state shared taxes if required employer contributions are not remitted. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

In addition, the Nursing Home is required to contribute 5% of covered payroll to the defined contribution portion of the Hybrid Plan to an individual employee account held by TCRS. Benefit terms, including contribution requirements are established and may be amended by TCRS. Employees are enrolled upon eligibility to make a 2% contribution to the defined contribution portion of the Hybrid Plan. Employees are permitted to make changes to the defined contribution portion of the Hybrid Plan by filing a form with TCRS and are permitted to make contributions up to applicable Internal Revenue Code limits. For the years ended June 30, 2021 and 2020, employee contributions totaled approximately \$101,000 and \$99,000, respectively. Employees are immediately vested in their own contributions and earnings on those contributions.

(b) Net pension liabilities (assets) of the Hybrid Plan

Pension liabilities (assets)

As of June 30, 2021 and 2020, the Hybrid Plan reported a net pension asset of \$87,072 and \$66,127, respectively, for its proportionate share of the net pension asset. The net pension assets were measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension assets was determined by an actuarial valuation as of the measurement dates. As of June 30, 2021 and 2020, the Nursing Home's proportion of the net pension asset in the Hybrid Plan was based on the Nursing Home's active participants as of June 30, 2020 and 2019, respectively, relative to the active participants of all component units of Jefferson County as of June 30, 2020 and 2019, respectively. At the June 30, 2020 and 2019 measurement dates, the Nursing Home's proportion in the Hybrid Plan was 64.26% and 62.49%, respectively.

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Actuarial assumptions

The total Hybrid Plan pension liability as of the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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 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 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		100%

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

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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 component units of Jefferson County will be made at the actuarially determined contribution rate pursuant to the 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 Nursing Home's proportionate share of net pension liability (asset) to changes in the discount rate

The following presents the Nursing Home's proportionate share of the net pension liability (asset) of the Hybrid Plan calculated using the discount rate of 7.25 percent, as well as what the Nursing Home's 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:

	2021		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Nursing Home's proportionate share of the Hybrid Plan net position liability (asset)	\$ 63,633	\$ (87,072)	\$ (197,966)
	2020		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Nursing Home's proportionate share of the Hybrid Plan net position liability (asset)	\$ 26,688	\$ (66,127)	\$ (134,085)

Pension plan fiduciary net position

Detailed information about the Hybrid Plan's fiduciary net position is available in a separately issued TCRS financial report.

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Notes to the Financial Statements

June 30, 2021 and 2020

(c) Pension expense (negative pension expense) and deferred outflows of resources and deferred inflows of resources related to the Hybrid Plan

Pension expense (negative pension expense) related to the Hybrid Plan

For the years ended June 30, 2021 and 2020, the Nursing Home recognized pension expense related to the Hybrid Plan of \$17,229 and \$40,353, respectively.

Deferred outflows of resources and deferred inflows of resources related to the Hybrid Plan

As of June 30, 2021 and 2020, the Nursing Home reported deferred outflows of resources and deferred inflows of resources related to the Hybrid Plan pension from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,508	\$ -
Net difference between projected and actual earnings on pension plan investments	9,157	-
Nursing Home's contributions subsequent to the measurement date of June 30, 2020 (1)	<u>142,787</u>	-
Total	<u>\$ 201,452</u>	<u>\$ -</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,153	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,629
Nursing Home's contributions subsequent to the measurement date of June 30, 2019 (1)	<u>137,134</u>	-
Total	<u>\$ 181,287</u>	<u>\$ 1,629</u>

(1) The amounts shown above for "contributions subsequent to the measurement dates of June 30, 2020 and 2019" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ending June 30:

2022	\$ 9,996
2023	10,152
2024	10,438
2025	10,565
2026	7,999
Thereafter	9,514

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

(d) Payable to the Hybrid Plan

The Nursing Home reported a payable of \$14,689 and \$12,893 for the outstanding amount of contributions to the Hybrid Plan required at June 30, 2021 and 2020, respectively.

Public Employee Pension Plan (the "Legacy Plan")

(a) General information about the Legacy Plan

Plan description

Employees of the Nursing Home, as a component unit of Jefferson County, with membership in the TCRS before July 1, 2016, were provided a defined benefit pension plan ("Legacy Plan"), an agent multiple-employer pension plan administered by the TCRS. The Legacy Plan closed to new membership on June 30, 2016, but will continue to provide benefits to existing members and retirees. The TCRS was created by state statute under TCA Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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Benefits provided under the Legacy Plan

TCA Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by 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 years' average compensation and the member's 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 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 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 for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees covered under the Legacy Plan do not make contributions to their account; instead the component units of Jefferson County make employer contributions at the contribution rate set by the Board of Trustees as determined by actuarial valuation. For the years ended June 30, 2021 and 2020, employer contributions for the Nursing Home related to the Legacy Plan were \$348,417 and \$362,618, respectively, based on a rate of 10.27% and 11.00% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Jefferson County's state shared taxes if required employer contributions are not remitted. The employer's actuarially defined contribution 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.

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(b) Net pension liabilities (assets) of the Legacy Plan

As of June 30, 2021 and 2020, the Legacy Plan reported a net pension asset of \$821,343 and \$967,663, respectively, for its proportionate share of the net pension asset. The net pension assets were measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension assets was determined by an actuarial valuation as of the measurement dates. As of June 30, 2021 and 2020, the Nursing Home's proportion of the net pension asset in the Legacy Plan was based on the Nursing Home's active participants as of June 30, 2020 and 2019, respectively, relative to the active participants of all component units of Jefferson County as of June 30, 2020 and 2019, respectively. At the June 30, 2020 and 2019 measurement dates, the Nursing Home's proportion in the Legacy Plan was 17.45% and 17.58%, respectively.

Actuarial assumptions

The total Legacy Plan pension liability as of the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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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 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 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		100%

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

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all component units of Jefferson County will be made at the actuarially determined contribution rate pursuant to the actuarial valuation 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.

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Sensitivity of the Nursing Home's proportionate share of net pension liability (asset) to changes in the discount rate

The following presents the Nursing Home's proportionate share of the Legacy Plan net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the Nursing Home's proportionate share of the net 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:

2021			
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Nursing Home's proportionate share of the net position liability (asset)	\$ 1,123,118	\$ (821,343)	\$ (2,443,152)
2020			
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Nursing Home's proportionate share of the net position liability (asset)	\$ 951,528	\$ (967,663)	\$ (2,564,157)

Pension plan fiduciary net position

Detailed information about the Legacy Plan's fiduciary net position is available in a separately issued TCRS financial report.

(c) Pension expense (negative pension expense) and deferred outflows of resources and deferred inflows of resources related to the Legacy Plan

Pension expense (negative pension expense) related to the Legacy Plan

For the years ended June 30, 2021 and 2020, the Nursing Home recognized pension expense related to the Legacy Plan of \$339,157 and \$405,062, respectively.

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Deferred outflows of resources and deferred inflows of resources related to the Legacy Plan

As of June 30, 2021 and 2020, the Nursing Home reported deferred outflows of resources and deferred inflows of resources related to the Legacy Plan pension from the following sources:

2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,075	\$ 141,600
Net difference between projected and actual earnings on pension plan investments	112,740	-
Changes in assumptions	101,628	-
Nursing Home's contributions subsequent to the measurement date of June 30, 2020 (1)	348,417	-
Total	\$ 616,860	\$ 141,600
2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,717	\$ 178,250
Net difference between projected and actual earnings on pension plan investments	-	182,861
Changes in assumptions	153,577	-
Nursing Home's contributions subsequent to the measurement date of June 30, 2019 (1)	362,618	-
Total	\$ 597,912	\$ 361,111

(1) The amounts shown above for "contributions subsequent to the measurement dates of June 30, 2020 and 2019" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ending June 30:

2022	\$ (39,642)
2023	60,813
2024	46,927
2025	58,744

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

(d) Payable to the Legacy Plan

The Nursing Home reported a payable of \$34,369 and \$36,198 for the outstanding amount of contributions to the Legacy Plan required at June 30, 2021 and 2020, respectively.

(10) TCRS stabilization reserve trust

(a) Legal provisions

The Nursing Home is a member of the TCRS SRT. The Nursing Home has placed funds into the irrevocable trust as authorized by statute under TCA, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the Nursing Home.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Nursing Home may not impose any restrictions on investments placed by the trust on their behalf.

(b) Investment balances

Assets of the TCRS, including the SRT, are invested in the Tennessee Retiree Group Trust ("TRGT"). The TRGT is not registered with the Securities and Exchange Commission 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.

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Investments in the SRT are reported at fair value or amortized cost which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2021 and 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) and the lowest priority to unobservable inputs (Level 3).

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

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

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

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

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgment 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 so 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.

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US 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, or its equivalent, every three years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

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

At June 30, 2021, the Nursing Home had the following investments held by the SRT on its behalf.

Investment	Weighted Average Maturity (Days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. equity	N/A	N/A	\$ 55,259
Developed market international equity	N/A	N/A	24,956
Emerging market international equity	N/A	N/A	7,130
U.S. fixed income	N/A	N/A	35,651
Real estate	N/A	N/A	17,825
Short-term securities	N/A	N/A	1,783
Investments at amortized cost using NAV:			
Private equity and strategic lending	N/A	N/A	<u>35,650</u>
Total			\$ <u>178,254</u>

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June 30, 2021 and 2020

At June 30, 2020, the Nursing Home had the following investments held by the SRT on its behalf.

Investment	Weighted Average Maturity (Days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. equity	N/A	N/A	\$ 33,446
Developed market international equity	N/A	N/A	15,104
Emerging market international equity	N/A	N/A	4,316
U.S. fixed income	N/A	N/A	21,578
Real estate	N/A	N/A	10,789
Short-term securities	N/A	N/A	1,078
Investments at amortized cost using NAV:			
Private equity and strategic lending	N/A	N/A	<u>21,578</u>
Total			\$ <u>107,889</u>

The following tables summarized the fair value disclosures and measurements for the Nursing Home's investments held by the TRGT on its behalf at June 30, 2021 and 2020:

	Fair Value Measurements as of June 30, 2021 using the following inputs			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3*</u>	<u>Total</u>
U.S. equity	\$ 55,259	\$ -	\$ -	\$ 55,259
Developed market international equity	24,956	-	-	24,956
Emerging market international equity	7,130	-	-	7,130
U.S. fixed income	-	35,651	-	35,651
Real estate	-	-	17,825	17,825
Short-term securities	<u>-</u>	<u>1,783</u>	<u>-</u>	<u>1,783</u>
Total assets in the fair value hierarchy	\$ <u>87,345</u>	\$ <u>37,434</u>	\$ <u>17,825</u>	142,604
Investments at amortized cost using NAV:				
Private equity and strategic lending				<u>35,650</u>
Total				\$ <u>178,254</u>

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**Fair Value Measurements as of
June 30, 2020 using the following inputs**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3*</u>	<u>Total</u>
U.S. equity	\$ 33,446	\$ -	\$ -	\$ 33,446
Developed market international equity	15,104	-	-	15,104
Emerging market international equity	4,316	-	-	4,316
U.S. fixed income	-	21,578	-	21,578
Real estate	-	-	10,789	10,789
Short-term securities	-	<u>1,078</u>	-	<u>1,078</u>
Total assets in the fair value hierarchy	<u>\$ 52,866</u>	<u>\$ 22,656</u>	<u>\$ 10,789</u>	86,311
Investments at amortized cost using NAV:				
Private equity and strategic lending				<u>21,578</u>
Total				<u>\$ 107,889</u>

* Due to the small amount of the Level 3 investments held in the SRT and the fact that the Nursing Home may not impose restrictions or influence on the types of investment held in the SRT and the fact the SRT financial statements are publicly available, the Nursing Home has not presented a rollforward of Level 3 investments in these financial statements.

(c) Risks and Uncertainties

The SRT'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 SRT investments.

(d) Interest Rate Risk

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

(e) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Nursing Home does not have the ability to limit the credit ratings of individual investments made by the SRT.

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(f) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Nursing Home places no limit on the amount invested in one issuer.

(g) 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 Nursing Home 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 SRT agreement, investments are held in the name of the SRT for the benefit of the Nursing Home to pay retirement benefits of employees.

For further information concerning the Nursing Home's investments with the SRT, audited financial statements of the TCRS may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag18092.pdf>

(11) Other Postemployment Benefits ("OPEB")

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

OPEB Provided through State Administered Public Entity Risk Pools

General retirees of the Nursing Home are provided healthcare under the Local Government Plan ("LGP") until they reach Medicare eligibility.

The Nursing Home's OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

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Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020, actuarial valuation of the plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.10 Percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Discount Rate	2.21 percent
Healthcare Cost Trend Rates	9.02 percent for pre-65 in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.50 percent. 7.56 percent for post-65 in 2020, decreasing annually over a 4 year period to an ultimate rate of 4.50 percent
Retiree's share of benefit related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purposes of this Valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

The discount rate used to measure the total OPEB liability was 2.21 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 Bond Buyer 20-Year Municipal GO AA index.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the TCRS. These mortality rates were used in the July 1, 2019, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2019 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% 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.

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Changes in assumptions

The discount rate was changed from 3.51 percent as of the beginning of the measurement period to 2.21 percent as of June 30, 2020. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Plan Description

Employees of the Nursing Home are provided with pre-65 retiree health insurance benefits through the LGP administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired employees and disability participants of local governments, who chose coverage, participate in the LGP.

Benefits Provided

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

Employees Covered by Benefit Terms

Employees of the Nursing home comprise 21.97 percent of the plan and Jefferson County government employees comprise the remaining percentage. An insurance committee, created in accordance with *TCA 8-27-701*, establishes the required payments of the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2021, the Nursing Home paid \$7,374 to the LGP for OPEB benefits as they came due.

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

For the year ended June 30, 2021, the plan recognized OPEB expense of \$280,550, of which \$145,504 was related to the initial recording of the OPEB liability to conform with Jefferson County's presentation. At June 30, 2021, the plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 76,868
Changes in assumptions	35,090	6,727
Contributions subsequent to the measurement date of June 30, 2020 (1)	<u>4,192</u>	<u>-</u>
Total	<u>\$ 39,282</u>	<u>\$ 83,595</u>
Contributions subsequent to the measurement date of June 30, 2019 (1)		

(1) The amounts shown above for "benefits paid subsequent to the measurement date of June 30, 2020" will be recognized as a reduction (increase) to OPEB liability (asset) in the following measurement period.

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

Year Ending June 30:

2022	\$ (9,336)
2023	(9,336)
2024	(9,336)
2025	(9,336)
2026	(9,336)
Thereafter	(1,825)

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

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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the plan calculated using the current discount rate as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	2021		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Nursing Home's proportionate share of the OPEB liability	\$ 255,806	\$ 236,237	\$ 217,817

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the plan calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	2021		
	1% Decrease 8.02% to 3.50%	Current Trend Rate 9.02% to 4.50%	1% Increase 10.02% to 5.50%
Nursing Home's proportionate share of the OPEB liability	\$ 207,530	\$ 236,237	\$ 270,478

(12) Commitments and contingencies

The Nursing Home leases various equipment under short-term operating lease agreements. Rent expense totaled \$2,757 and \$5,132 for the years ended June 30, 2021 and 2020, respectively.

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Healthcare industry

The delivery of personal and health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The Nursing Home maintains commercial insurance on an occurrence basis for medical malpractice liabilities. Insurance coverages are \$1,000,000 individually and \$3,000,000 in the aggregate annually. The State of Tennessee maintains litigation settlement limitations for governmental entities which are less than the Nursing Home's insurance coverages. The Nursing Home is currently involved in a litigation case in which management expects any ultimate outcome to be covered by insurance coverage limits described above. Management intends to maintain insurance coverages in the future. The Nursing Home could be involved in other litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any future potential losses on asserted claims. Management is unaware of any incidents which would ultimately result in a loss in excess of the Nursing Home's insurance coverages. The Nursing Home also maintains insurance for general liability, director and officer liability and property.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid/TennCare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes the Nursing Home is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and other government statutes and regulations. The Nursing Home's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

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The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare and Medicaid/TennCare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare/TennCare and Medicaid billings are proper and adequate support is maintained, certain aspects of Medicare and Medicaid/TennCare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to any RAC audits at this time.

Healthcare reform

The health care industry in the United States is subject to fundamental changes due to ongoing health care reform efforts and related political, economic and regulatory influences. Notably, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") resulted in expanded health care coverage to millions of previously uninsured people beginning in 2014 and has resulted in significant changes to the U.S. healthcare system. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various health care providers as well as certain other changes to Medicare payment methodologies. This comprehensive health care legislation has resulted and will continue to result in extensive rulemaking by regulatory authorities, and also may be altered, amended, repealed, or replaced.

It is difficult to predict the full impact of the Affordable Care Act due to the complexity of the law and implementing regulations, as well as the Nursing Home's inability to foresee how CMS and other participants in the health care industry will respond to the choices available to them under the law. The Nursing Home also cannot accurately predict whether any new or pending legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on the Nursing Home's business. Similarly, while the Nursing Home can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect the Nursing Home's business and the manner in which the Nursing Home is reimbursed by the federal health care programs, the Nursing Home cannot accurately predict today the impact of those regulations on the Nursing Home's business. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act or any amended or replacement legislation may increase costs, decrease revenues, expose the Nursing Home to expanded liability or require the Nursing Home to revise the ways in which it conducts business.

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(13) Functional expenses

The following is a summary of management's functional classification of operating expenses:

	<u>2021</u>	<u>2020</u>
Healthcare services	\$ 11,301,708	\$ 10,617,506
General and administrative	<u>2,430,564</u>	<u>2,264,870</u>
	<u>\$ 13,732,272</u>	<u>\$ 12,882,376</u>

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Schedules of Required Supplementary Information

Schedules of the Nursing Home's Proportionate Share of the Net Pension Asset Based on Participation in the Public Employee Retirement Plan (the "Hybrid Plan") of TCRS

Last Fiscal Year ending June 30

	2017	2018	2019	2020
The Nursing Home's proportion of the Hybrid Plan's net pension asset	61.79%	60.27%	62.49%	64.26%
The Nursing Home's proportionate share of the Hybrid Plan's net pension asset	\$ 17,153	\$ 65,295	\$ 66,127	\$ 87,072
The Nursing Home's covered-employee payroll for the Hybrid Plan	\$ 431,981	\$ 1,731,186	\$ 2,048,823	\$ 1,994,607
The Nursing Home's proportionate share of the Hybrid Plan's net pension asset as a percentage of its covered-employee payroll	3.97%	3.77%	3.23%	4.37%
Plan fiduciary net position as a percentage of the total Hybrid Plan's pension asset	170.74%	140.94%	118.61%	113.86%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See accompanying independent auditors' report.

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Schedules of Required Supplementary Information

Schedules of the Nursing Home's Contributions Based on Participation in the Hybrid Plan of TCRS

Last Fiscal Year ending June 30

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$ 38,878	\$ 98,978	\$ 124,978	\$ 137,134	\$ 182,609
Contributions in relation to the actuarially determined contribution	<u>38,878</u>	<u>98,978</u>	<u>124,978</u>	<u>137,134</u>	<u>182,609</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 431,981	\$ 1,731,186	\$ 2,048,823	\$ 1,994,607	\$ 2,036,804
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	1.94%	1.10%	1.10%

* - Starting in FY 2019 Jefferson County, and as a component unit, the Nursing Home, placed the actuarially determined contribution rates noted above of covered payroll into the Hybrid Plan and placed an amount equal to 4.0% minus the above rates of covered payroll into the Stabilization Reserve Trust.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See accompanying independent auditors' report.

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Schedules of Required Supplementary Information

Schedules of the Nursing Home's Proportionate Share of the Net Pension Asset Based on Participation in the Public Employee Pension Plan (the "Legacy Plan") of TCRS

Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019	2020
The Nursing Home's proportion of the Legacy Plan's net pension asset	16.97%	19.34%	17.02%	18.36%	17.31%	17.58%	17.45%
The Nursing Home's proportionate share of the Legacy Plan's net pension asset	\$ 283,572	\$ 279,930	\$ 46,663	\$ 616,612	\$ 762,100	\$ 967,663	\$ 821,343
The Nursing Home's covered-employee payroll for the Legacy Plan	\$ 3,492,085	\$ 4,006,170	\$ 3,933,070	\$ 3,964,094	\$ 3,461,327	\$ 3,458,905	\$ 3,296,522
The Nursing Home's proportionate share of the Legacy Plan's net pension asset as a percentage of its covered-employee payroll	8.12%	6.99%	1.19%	15.55%	22.02%	27.98%	24.92%
Plan fiduciary net position as a percentage of the total pension asset	102.47%	102.60%	100.35%	104.47%	105.52%	106.59%	105.41%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See accompanying independent auditors' report.

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Schedules of Required Supplementary Information

Schedules of the Nursing Home's Contributions Based on Participation in the Legacy Plan of TCRS

Last Fiscal Year ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$ 515,780	\$ 630,750	\$ 560,551	\$ 500,661	\$ 437,166	\$ 380,480	\$ 362,618	\$ 348,417
Contributions in relation to the actuarially determined contribution	<u>515,780</u>	<u>630,750</u>	<u>560,551</u>	<u>500,661</u>	<u>437,166</u>	<u>380,480</u>	<u>362,618</u>	<u>348,417</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,492,085	\$ 4,006,170	\$ 3,933,070	\$ 3,964,094	\$ 3,461,327	\$ 3,458,905	\$ 3,296,522	\$ 3,392,570
Contributions as a percentage of covered-employee payroll	14.77%	15.63%	15.63%	12.63%	12.63%	11.00%	11.00%	10.27%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See accompanying independent auditors' report.

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Schedules of Required Supplementary Information

Schedules of Changes in the Nursing Home's OPEB Liability and Related Ratios

For Fiscal Year ending June 30

Total OPEB Liability:	2017	2018	2019	2020
Service Cost	\$ 20,596	\$ 24,347	\$ 20,257	\$ 20,010
Interest	8,014	12,654	8,985	7,892
Differences Between Actual and Expected Experience	-	(40,752)	(63,026)	(12,816)
Changes in Assumptions or Other Inputs	(13,868)	90,370	(121,698)	27,354
Benefit Payments	(3,873)	(6,648)	10,014	(7,374)
Net Changes in Total OPEB Liability	10,869	79,971	(145,468)	35,066
Total OPEB Liability, Beginning	<u>255,799</u>	<u>266,668</u>	<u>346,639</u>	<u>201,171</u>
Total OPEB Liability, Ending	<u>\$ 266,668</u>	<u>\$ 346,639</u>	<u>\$ 201,171</u>	<u>\$ 236,237</u>
 Covered Employee Payroll	 \$ -	 \$ -	 \$ -	 \$ 3,288,552
OPEB Liability as a Percentage of Covered Employee Payroll	-	-	-	13.92%

Note 1: This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

Note 2: Changes in assumptions

(a) The following are the discount rates used in each period:

2016	2.92%
2017	3.56%
2018	3.62%
2019	3.51%
2020	2.21%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

See accompanying independent auditors' report.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to Schedules of Required Supplementary Information

June 30, 2021 and 2020

Hybrid and Legacy Pension Plans

Valuation date: Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2020 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 pension 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

Change 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; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent, and modified mortality assumptions.

See accompanying independent auditors' report.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Schedule of Changes in Long-Term Debt by Individual Issue

Year ended June 30, 2021

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Average Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding July 1, 2020</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refinanced During Period</u>	<u>Outstanding June 30, 2021</u>
<u>BALANCE DUE TO JEFFERSON COUNTY</u>									
General Obligation									
Bonds - 2020B									
(Balance due to County)	\$ 7,750,000	3.00 %	December 15, 2020	June 1, 2050	\$ -	\$ 7,750,000	\$ -	\$ -	\$ 7,750,000
General Obligation									
Refunding Bonds - 2021B									
(Balance due to County)	5,535,000	1.82 %	June 25, 2021	June 1, 2037	-	5,535,000	-	-	5,535,000
General Obligation									
Refunding Bonds - 2014									
(Balance due to County)	4,285,000	2.32 %	May 15, 2014	June 30, 2027	1,925,000	-	255,000	1,670,000	-
General Obligation									
Refunding Bonds - 2016									
(Balance due to County)	4,215,000	2.52 %	May 13, 2016	June 30, 2027	<u>3,955,000</u>	<u>-</u>	<u>15,000</u>	<u>3,940,000</u>	<u>-</u>
Total due to primary government					\$ <u>5,880,000</u>	\$ <u>13,285,000</u>	\$ <u>270,000</u>	\$ <u>5,610,000</u>	\$ <u>13,285,000</u>

See accompanying independent auditors' report.

**JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Federal CFDA Number	Name of Program	Contracting Agency	Federal Expenditures
93.498	COVID-19 - Provider Relief Funds	U. S. Department of Health and Human Services	\$ <u>739,470</u>
CFDA Number 93.498 Total			\$ <u>739,470</u>

See accompanying independent auditors' report.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Note A - Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") is prepared on the accrual basis of accounting.

Jefferson County Nursing Home (the "Nursing Home") has elected not to use the 10% de minimis indirect cost rate allowed under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

The expenditure threshold for classification as a Type A program is \$750,000. Since the total expenditure level is less than \$750,000 the Nursing Home is not subject to the Uniform Guidance.

There were no awards passed through to subrecipients.

Note B - Non-Cash Assistance

The Nursing Home did not receive or expend federal awards during fiscal year 2021 in the form of non-cash assistance.

Note C - Reconciliation to Statement of Revenues, Expenses and Changes in Net Position

Total Federal award amounts expended per SEFA	\$ 739,470
Provider Relief Funds earned per the financial statements during year ended June 30, 2020	(368,924)
Provider Relief Funds to be reported as expended on the SEFA for the year ended June 30, 2022	<u>391,378</u>
Total Federal award amounts included in the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2021	\$ <u>761,924</u>

Note D - Uniform Guidance

The SEFA includes the federal award activity of the Nursing Home under a program of the federal government for the year ended June 30, 2021. The information in the SEFA is presented in accordance with the requirements of the Uniform Guidance; however, the Nursing Home is not subject to the Uniform Guidance. Because the SEFA presents only a selected portion of the operations of the Nursing Home, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Nursing Home.

See accompanying independent auditors' report.

**JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)**

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Note E - Provider Relief Fund

For entities with June 30 fiscal year-ends, the first SEFA reporting period for PRF expenditures (including lost revenue) is June 30, 2021. Based on current guidance from the Department of Health and Human Services ("HHS"), PRF expenditures (including lost revenues) are to be reported on the SEFA based upon PRF reports submitted through the Health Resources and Services Administration reporting portal. Therefore, the amount of PRF expenditures included on the FYE June 30, 2021 SEFA is based upon the PRF reporting portal guidelines for Period 1, as specified by HHS.

See accompanying independent auditors' report.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Schedules of Operating Revenue

Years ended June 30, 2021 and 2020

	<u>2021</u>		<u>2020</u>
Routine services - Private ICF/SNF	\$ 2,196,539	\$	2,241,239
Routine services - Medicaid/TennCare	5,632,223		6,536,682
Routine services - Hospice ICF	964,331		1,608,124
Routine services - commercial insurance/HMO	1,298,428		999,259
Medicare - Part A revenue	2,389,680		1,912,176
Medicare - Part B ancillaries	303,296		440,549
Prior period revenue adjustments	(49,690)		(80,329)
Employee and visitor meals	2,312		8,989
Telephone	4,401		5,202
Other income	35,411		4,668
Bad debts	(482,715)		(170,668)
FMAP funds	823,438		216,644
Provider relief funds	<u>761,924</u>		<u>368,924</u>
Total operating revenue	\$ <u>13,879,578</u>	\$	\$ <u>14,091,459</u>

See accompanying independent auditors' report.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Schedules of Operating Expenses

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
General and administrative:		
Salaries		
Administrator	\$ 123,371	\$ 121,659
Assistant administrator	72,202	69,207
Administrative staff	368,792	363,180
Information tech	66,616	68,485
Payroll taxes	44,500	44,319
Forms and office supplies	45,580	54,797
Telephone	44,887	38,809
License and dues	(29,861)	22,217
Professional services - other	445	2,337
Professional services - accounting	27,966	25,446
Professional services - legal	1,274	637
Insurance		
Employee life insurance	11,155	12,565
Employee health insurance	599,481	640,282
Commercial insurance	150,523	62,645
Workers' compensation insurance	61,904	139,794
Pension Expense	356,385	364,708
OPEB Expense	280,550	-
Bank charges	9,065	9,788
Employee physicals	-	19
Training, seminars and conferences	12,761	12,730
Travel expenses	4,307	12,156
Advertising	5,200	9,437
IT services	60,948	52,659
Other compensation and awards	37,113	46,363
Flowers and gifts	8,965	17,695
Employee background checks	5,956	4,636
Minor equipment	46,137	48,967
Equipment rental	2,757	5,132
Postage and delivery	5,395	4,785
Barber and beauty expenses	5,750	8,978
Miscellaneous expenses	440	438
Total general and administrative	<u>\$ 2,430,564</u>	<u>\$ 2,264,870</u>
Tennessee nursing facility assessment fee	<u>\$ 836,260</u>	<u>\$ 818,005</u>
Nursing		
Salaries		
Director of nursing	\$ 97,466	\$ 90,561
Assistant director of nursing	72,437	72,457
Minimum data set	287,743	275,650
Unit managers	-	24,726
Registered nurses	491,614	448,081
Licensed practical nurses	1,362,086	1,191,037
Certified nursing assistants	2,491,807	2,399,822
Feeding assistants	25,690	44,791
Payroll taxes	377,630	359,578
Medical director	23,806	27,762
Supplies	289,082	305,495
Training, seminars and conferences	2,397	105
COVID related expenses	636,833	43,269
Total nursing	<u>\$ 6,158,591</u>	<u>\$ 5,283,334</u>

See accompanying independent auditors' report.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Schedules of Operating Expenses

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Activities		
Salaries		
Activities director	\$ 36,616	\$ 29,979
Activities staff	37,329	46,846
Payroll taxes	2,645	2,691
Supplies	<u>20,882</u>	<u>23,661</u>
Total activities	<u>\$ 97,472</u>	<u>\$ 103,177</u>
 Social services		
Salaries		
Social services director	\$ 50,542	\$ 44,638
Social services staff	188,009	223,698
Payroll taxes	<u>17,405</u>	<u>19,494</u>
Total social services	<u>\$ 255,956</u>	<u>\$ 287,830</u>
 Dietary		
Salaries		
Dietary supervisor	\$ 73,664	\$ 97,086
Dietary staff	356,514	374,346
Payroll taxes	12,819	13,043
Food	496,597	545,463
Supplies	47,438	64,922
Dietary consultant	39,324	39,060
Minor equipment	<u>338</u>	<u>546</u>
Total dietary	<u>\$ 1,026,694</u>	<u>\$ 1,134,466</u>
 Housekeeping		
Salaries		
Housekeeping supervisor	\$ 37,446	\$ 34,823
Housekeeping staff	229,082	214,640
Payroll taxes	19,455	17,936
Supplies	<u>27,087</u>	<u>22,679</u>
Total housekeeping	<u>\$ 313,070</u>	<u>\$ 290,078</u>
 Laundry and linen		
Salaries	\$ 119,230	\$ 114,792
Payroll taxes	8,941	8,263
Supplies	30,611	33,286
Minor equipment	841	-
Linen and bedding	<u>15,466</u>	<u>14,366</u>
Total laundry and linen	<u>\$ 175,089</u>	<u>\$ 170,707</u>

See accompanying independent auditors' report.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Schedules of Operating Expenses

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Plant operation and maintenance		
Salaries		
Maintenance supervisor	\$ 50,653	\$ 63,987
Maintenance staff	73,087	73,922
Payroll taxes	11,715	12,738
Gas	77,959	77,110
Electricity	151,894	162,207
Water and sewer	80,482	95,498
Supplies	120,445	123,516
Minor equipment	9,671	14,620
Pest control	9,529	9,559
Waste disposal	4,537	12,339
Grounds	25,005	27,715
Total plant operation and maintenance	\$ <u>614,977</u>	\$ <u>673,211</u>
Ancillary services expenses		
Medicare Part A - therapy	\$ 367,224	\$ 432,810
Medicare Part A - lab	25,887	26,820
Medicare Part A - other services	44,698	38,647
HMO/MCO physical therapy	91,766	46,426
HMO/MCO occupational therapy	271,666	211,886
HMO/MCO speech therapy	40,730	32,730
Medicare Part B - physical therapy	135,989	180,247
Medicare Part B - speech therapy	56,632	79,943
Private pay - occupational therapy	-	587
Ambulance expense	59,343	49,077
X-ray	30,011	32,518
Transportation	5,384	3,945
Respiratory services	76,636	89,460
Total ancillary services expenses	\$ <u>1,205,966</u>	\$ <u>1,225,096</u>
Drugs		
Drugs Part A	\$ 201,401	\$ 203,089
Drugs Part D	2,618	-
Pharmacy consultant	18,042	21,277
Floor stock drugs and supplies	45,978	37,566
Total drugs	\$ <u>268,039</u>	\$ <u>261,932</u>
Depreciation	\$ <u>349,594</u>	\$ <u>369,670</u>
Total operating expenses	\$ <u>13,732,272</u>	\$ <u>12,882,376</u>

See accompanying independent auditors' report.

JEFFERSON COUNTY NURSING HOME
(a component unit of Jefferson County)

Nursing Home Statistics

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Days in fiscal year	365	366
Total resident beds, end of year	160	160
Maximum patient days	58,400	58,560
Chargeable resident days	46,463	53,374
Percent of occupancy on chargeable days	79.56%	91.14%
Total revenue (including PPP loan forgiveness, excluding premium on bonds issued)	\$ 15,121,080	\$ 14,100,678
Average income per chargeable day	\$ 325.44	\$ 264.19
Total expenses (excluding bond issuance costs included in interest expense)	\$ 13,947,867	\$ 13,032,236
Average expenses per chargeable day	\$ 300.19	\$ 244.17
Average income per chargeable day	\$ 325.44	\$ 264.19
Average expenses per chargeable day	<u>(300.19)</u>	<u>(244.17)</u>
Average net income per chargeable day	<u>\$ 25.25</u>	<u>\$ 20.02</u>
Average revenue per day	\$ 41,428	\$ 38,526
Average expenses per day	<u>(38,213)</u>	<u>(35,607)</u>
Average net income per day	<u>\$ 3,215</u>	<u>\$ 2,919</u>
Total salaries	\$ 6,711,996	\$ 6,488,413
Average daily salary	\$ 18,389	\$ 17,728
Total cost of meals	\$ 1,026,694	\$ 1,134,466
Meals served	148,562	164,485
Average cost per meal	\$ 6.91	\$ 6.90

See accompanying independent auditors' report.



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*

The Board of Directors
Jefferson County Nursing Home
Dandridge, 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 business-type activities of Jefferson County Nursing Home (the "Nursing Home"), a component unit of Jefferson County, Tennessee, which comprise the statement of net position as of June 30, 2021, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Nursing Home's basic financial statements, and have issued our report thereon dated January 5, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nursing Home's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nursing Home's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nursing Home'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 Nursing Home'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.

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nursing Home'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*.

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 the Nursing Home's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nursing Home's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBMC, PC

Knoxville, Tennessee
January 5, 2022