



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
APRIL 26, 2023
AGENDA

1. Call meeting to order
2. Approval of minutes from the TLDA meeting of March 27, 2023
3. Consider for approval the following Clean Water Loans:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate	Interest Term
Dayton, CW20 2023-345	\$ 10,000,000	\$2,500,000	\$ 12,500,000	1.34%	20
Dayton, SRF 2023-477	\$ 1,117,500	\$ -	\$ 1,117,500	1.34%	20

4. Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
March 27, 2023

The Tennessee Local Development Authority (the “TLDA”) met on Monday, March 27, 2023, at 2:18 p.m. in the Volunteer Conference Center, Second Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided over the meeting.

The following members were also present:

The Honorable Jason E. Mumpower, Comptroller of the Treasury
The Honorable David H. Lillard, Jr., State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration
Mayor Paige Brown, House Appointee

The following member was absentⁱ:

The Honorable Bill Lee, Governor

Mr. Hargett acknowledged Mr. Mumpower’s sentiments regarding the Covenant School tragedy.ⁱⁱ

Then, recognizing a quorum present, Mr. Hargett called the meeting to order.

Mr. Hargett stated that the first item on the agenda was approval of the minutes from the February 15, 2023, TLDA meeting. Mr. Hargett motioned to approve the minutes, and Mr. Bryson seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By a vote of 5 – 0, the motion was carried, and the minutes were unanimously approved.

Mr. Hargett stated that the next item on the agenda was the consideration and approval of Clean Water State Revolving Fund (CWSRF) loans and said that, unless there were any objections, the TLDA would hear the two loan requests prior to asking for a motion to approve. Hearing none, he recognized Ms. Paula Mitchell, Deputy Director of Operations, Division of Water Resources, for the Tennessee Department of Environment and Conservation, to present the loan requests. Ms. Mitchell first presented the Report on Funds Available for Loan Obligation for the CWSRF Loan Program. She stated the unobligated fund balance was \$173,003,668 as of February 15, 2023. Since that time, the unobligated had increased by \$48,610,100, comprised of a Capitalization Grant, along with its required State match, and the IJGA General Supplemental Grant, along with its required State match for FFY 2022. Upon approval of the loan requests to be presented totaling \$2,350,000, the remaining funds available for loan obligations would be \$219,263,768. She then presented the CWSRF loan requests.

- **South Pittsburg (CW8 2023-480)** Requesting \$750,000 (\$600,000 (80%) loan; \$150,000 (20% principal forgiveness) for an infiltration and inflow correction (Rehabilitation of approximately 30,000 linear feet (LF) of sewer lines using point repairs and cured-in-place methods, and manhole rehabilitation; recommended interest rate of 2.01% based on the Ability to Pay Index (ATPI); Priority ranking 23 of 64 (FY2020); Term: 20 years

ⁱ Lt. Governor Randy McNally appointed Mayor Rollen “Buddy” Bradshaw to serve as the TLDA senate appointee. The TLDA Assistant Secretary was notified of the appointment on March 27, 2023, and Mayor Bradshaw was subsequently contacted by TLDA staff on March 30, 2023, regarding his appointment.

ⁱⁱ Mr. Mumpower began the series of meetings of the Tennessee State Funding Board, State School Bond Authority, and Local Development Authority by acknowledging the tragic events that had occurred at the Covenant School in Nashville earlier in the day. Mr. Mumpower asked everyone in attendance to stand in a moment of silence for all of those affected. Mr. Mumpower prayed for healing, comfort, and understanding for everyone involved.

- **Tulahoma Utilities Authority (CW8 2023-442)** \$1,600,000 for a new Pump Station (PS) and force main (Replacement of the existing Ovoca Road PS and the installation of approximately 10,000 LF of 12-inch diameter force main along Ovoca Road. Recommended interest rate of 3.35% based on the ATPI; Priority ranking 16 of 53 (FY2021); Term: 20 years

Mr. Hargett inquired if there was any discussion. Mr. Bryson responded affirmatively and said that he wanted to follow up on South Pittsburg's loan. He asked if the City would only be able to repay loans if it increased rates. Ms. Mitchell responded affirmatively and stated that as a requirement to receive the loan, the City was required to pass a local ordinance to increase rates annually for three years. She further stated that it had passed the ordinance and would now be required to increase rates. Mr. Bryson asked if the City could rescind the ordinance, and Ms. Mitchell stated that she would need to review applicable policies and requirements. Ms. Mitchell asked Ms. Sandra Thompson, TLDA Assistant Secretary and the Director of the Division of State Government Finance, if borrowers were required to notify if they rescinded the local ordinance. Ms. Thompson replied that it would need to be reviewed. Ms. Mitchell noted that she had not experienced local government rescinding a local ordinance relative to its rates. Mr. Bryson voiced concern regarding the possibility. Ms. Mitchell said that it was not uncommon for potential borrowers to only be approved for a loan if they agreed to implement a rate increase in the future.

Mr. Hargett inquired if there were any further questions. Hearing none, he asked for a motion to approve the loans. Mr. Mumpower motioned to approve the loans, and Ms. Brown seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By a vote of 5 – 0, the motion was carried, and the loans were unanimously approved.

Mr. Hargett stated that the next item on the agenda was consideration and approval of a Drinking Water State Revolving Fund (DWSRF) loan. He called upon Ms. Mitchell to present the loan request. Ms. Mitchell first presented the Report on Funds Available for Loan Obligation for the DWSRF Loan Program. She stated the unobligated fund balance was \$58,351,929 as of February 15, 2023. Since that time, the unobligated had increased by \$43,796,384, comprised of a Capitalization Grant, along with its required State match, and the IJA General Supplemental Grant, along with its required State match for FFY 2022. Upon approval of the loan request to be presented totaling \$2,700,000, the remaining funds available for loan obligations would be \$99,448,313. She then presented the DWSRF loan request.

- **South Pittsburg (DW9 2023-256)** Requesting \$2,700,000 (\$2,160,000 (80%) loan; \$540,000 (20%) principal forgiveness) for new water storage tanks (WST) (Construction of a 150,000-gallon and 285,000-gallon WST to replace the existing WST) and water meter replacement (Installation of approximately 3,200 automated meter reading (AMR) meters); recommended interest rate of 2.01% based on the ATPI; Priority ranking 36, 67 of 72 (FY2021); Term: 20 years

Mr. Hargett inquired if there were any questions. Hearing none, he asked for a motion to approve the loan. Mr. Lillard motioned to approve the loan, and Mr. Mumpower seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By a vote of 5 – 0, the motion was carried, and the loan was unanimously approved.

Mr. Hargett stated that the next item on the agenda was a report on the notification from the City of Portland submitted to comply with TLDA SRF Policy and Guidance for Borrowers. He called upon Ms. Thompson to present the report. Ms. Thompson stated that the City of Portland had notified the TLDA of its intent to enter into a loan agreement in an amount not to exceed \$5,000,000 to finance water and sewer projects for the City. She stated that pursuant to the TLDA SRF Policy and Guidance for Borrowers, the City was required to notify the TLDA even though it was not asking for parity of lien to, or subordination of, its current SRF loans. She further stated that this was a notification and would not require action by the TLDA board. Mr. Hargett noted that the report was duly reported, and with no further action necessary, he moved on to the next agenda item.

Mr. Hargett stated that the next item on the agenda was a report on the notification from the City of Algood submitted to comply with TLDA SRF Policy and Guidance for Borrowers. He called upon Ms. Thompson to present

the report. Ms. Thompson stated that the City of Algood had notified the TLDA of its intent to enter into a loan agreement in an amount not to exceed \$2,300,000 to finance sewer system projects. She stated that pursuant to the TLDA SRF Policy and Guidance for Borrowers, the City was required to notify the TLDA in the occurrence of new debt. She further stated that the City was not requesting parity of lien to, or subordination of, its current SRF loans. Ms. Thompson said this was a notification and would not require action by the TLDA board. Mr. Hargett noted that the report was duly reported, and with no further action necessary, he moved on to the next agenda item.

Hearing no other business, Mr. Hargett asked for a motion to adjourn the meeting. Mr. Mumpower motioned to adjourn, and Mr. Lillard seconded the motion. Mr. Hargett asked all in favor to say aye and all opposed to say no. By a vote of 5 – 0, the motion was carried, and the meeting was adjourned.

Approved on this _____ day of _____, 2023.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
April 26, 2023

Unobligated Balance as of March 27, 2023 \$ 219,263,768

Increases:

	<u>Loan Number</u>	<u>Amount</u>	
Brownsville Energy Authority	SRF 2021-452	\$ 50,000	
			<u>\$ 50,000</u>

Unobligated Balance as of April 26, 2023 \$ 219,313,768

Decreases:

	<u>Loan Number</u>	<u>Amount</u>	
City of Dayton (Principal amount)	CW20 2023-345	\$ 10,000,000	
City of Dayton (Principal Forgiveness)		\$ 2,500,000	
City of Dayton	SRF 2023-477	\$ 1,117,500	
			<u>\$ (13,617,500)</u>

Remaining Funds Available for Loan Obligations as of April 26, 2023 \$ 205,696,268

FACT SHEET

April 26, 2023

Borrower: City of Dayton
Project Number: CW20 2023-345
Requested SRF Funding: \$12,500,000
Term: 20 years
Rate: 1.34% = 3.35% X 40% (Tier 1)

Project:

WWTP Improvements/Secondary Treatment (Construction of a SBR and headworks with fine screening and grit removal, chemical building, septic receiving station, sludge facility, effluent pump/electrical building, and operations building; conversion of existing aeration basins and final clarifiers to EQ basins; installation of disinfection equipment and a standby generator.)

Total Project Cost: \$36,997,500

Project Funding:

SRF Loan Principal (80%)	\$10,000,000
Principal Forgiveness (20%)	\$ 2,500,000
Local Funds	\$ -0-
Other Funds (CW8 2021-453)	\$ 2,500,000
Other Funds (SRF 2021-454)	\$18,114,550
Other Funds (EDA Grants) ¹	\$ 2,765,450
Other Funds (SRF 2023-477)	\$ 1,117,500

County: Rhea County
Consulting Engineer: J.R. Wauford & Company Consulting Engineers, Inc.
Priority Ranking List: 2020
Priority Ranking: 52 of 64²
Public Meeting: 12/21/2020

Financial Information:

Operating Revenues:	\$8,419,875
Current Rate:	\$61.20
Financial Review Rate:	\$61.20
Effective Rates, if applicable:	\$63.60 (7/1/2023) \$66.05 (7/1/2024)
Residential User Charge:	5,000 gal/month
Customer Base:	2,644
Audit Report Filed:	03/31/2023 (Late) ³
Initial Financial Sufficiency Review:	09/02/2022
Updated Financial Sufficiency Review:	04/12/2023

¹ EDA Grants (Economic Development Administration Grants)

² The project is ranked #52 of 64 on the 2020 Priority Ranking List (PRL).

³ Late Audit report explanation letter provided to SRF.

FACT SHEET
April 26, 2023

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$1,124,108

MADS:	Prior Obligations:	\$1,043,553
	Proposed loan(s):	
	CW20 2023-345	\$ 570,267
	SRF 2023-477	<u>\$ 63,727</u>
	Totals	<u>\$1,677,547</u>
MADS as a percentage of SSTs:		149.23%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
CITY OF DAYTON
CW20 2023-345**

As security for payments due under a State Revolving Fund (SRF) Loan Agreement, a local government pledges user fees, charges, and ad valorem taxes as necessary to meet its obligations under a SRF Loan Agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. § 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$1,124,108.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	CW8 2021-453	\$2,000,000	\$500,000	\$103,761
SRF/Sewer	SRF 2021-454	\$18,114,550	\$0	\$939,792

* If applicable, the original approved amount is adjusted for decreases and approved increases
 **MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$1,043,553.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$1,043,553.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	CW20 2023-345	1.34%	\$10,000,000	\$2,500,000	\$570,267
SRF/Sewer	SRF 2023-477	1.34%	\$1,117,500	\$0	\$63,727

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$633,994.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$-
553,439.

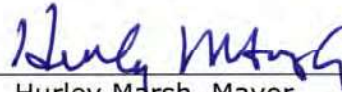
The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 6th day of December, 2022.

This is the Comptroller's certificate as required by TCA 4-31-108.

LOCAL GOVERNMENT

BY:



Hurley Marsh, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION

(FORM CT-0253)

**CITY OF DAYTON
CW20 2023-345**

Pursuant to Tenn. Code Ann. § 9-21-134, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-134 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that it may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

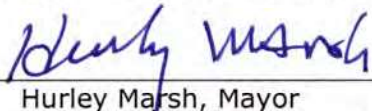
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, City of Dayton, attests that it is in compliance with Tenn. Code Ann. § 9-21-134 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related to this rule.


Hurley Marsh, Mayor

December 6, 2022

Date

This is the Comptroller's certificate as required by TCA 4-31-108.

FACT SHEET

April 26, 2023

Borrower: City of Dayton
Project Number: SRF 2023-477
Requested SRF Funding: \$1,117,500
Term: 20 years
Rate: 1.34% = 3.35% X 40% (Tier 1)

Project:

WWTP Improvements/Secondary Treatment (Construction of a SBR and headworks with fine screening and grit removal, chemical building, septic receiving station, sludge facility, effluent pump/electrical building, and operations building; conversion of existing aeration basins and final clarifiers to EQ basins; installation of disinfection equipment and a standby generator.)

Total Project Cost:	\$36,997,500
Project Funding:	
SRF Loan Principal	\$ 1,117,500
Local Funds	\$ -0-
Other Funds (CW8 2021-453)	\$ 2,500,000
Other Funds (SRF 2021-454)	\$18,114,550
Other Funds (EDA Grants) ¹	\$ 2,765,450
Other Funds (CW20 2023-345)	\$12,500,000

County:	Rhea County
Consulting Engineer:	J.R. Wauford & Company Consulting Engineers, Inc.
Priority Ranking List:	2020
Priority Ranking:	52 of 64 ²
Public Meeting:	12/21/2020

Financial Information:

Operating Revenues:	\$8,419,875
Current Rate:	\$61.20
Financial Review Rate:	\$61.20
Effective Rates, if applicable:	\$63.60 (7/1/2023)
	\$66.05 (7/1/2024)
Residential User Charge:	5,000 gal/month
Customer Base:	2,644
Audit Report Filed:	03/31/2023 (Late) ³
Initial Financial Sufficiency Review:	09/02/2022
Updated Financial Sufficiency Review:	04/12/2023

¹ EDA Grants (Economic Development Administration Grants)

² The project is ranked #52 of 64 on the 2020 Priority Ranking List (PRL).

³ Late Audit report explanation letter provided to SRF.

FACT SHEET
April 26, 2023

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$1,124,108

MADS:	Prior Obligations:	\$1,043,553
	Proposed loan(s):	
	SRF 2023-477	\$ 63,727
	CW20 2023-345	<u>\$ 570,267</u>
	Totals	<u>\$1,677,547</u>

MADS as a percentage of SSTs: 149.23%

**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
CITY OF DAYTON
SRF 2023-477**

As security for payments due under a State Revolving Fund (SRF) Loan Agreement, a local government pledges user fees, charges, and ad valorem taxes as necessary to meet its obligations under a SRF Loan Agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. § 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$1,124,108.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	CW8 2021-453	\$2,000,000	\$500,000	\$103,761
SRF/Sewer	SRF 2021-454	\$18,114,550	\$0	\$939,792

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$1,043,553.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows:

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$1,043,553.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	SRF 2023-477	1.34%	\$1,117,500	\$0	\$63,727
SRF/Sewer	CW20 2023-345	1.34%	\$10,000,000	\$2,500,000	\$570,267

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$633,994.

4. Unobligated SSTs

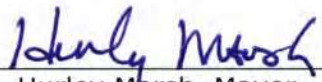
The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$= 553,439.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 6th day of December, 2022.

This is the Comptroller's certificate as required by TCA 4-31-108.

LOCAL GOVERNMENT

BY: 
Hurley Marsh, Mayor

REQUIREMENT FOR REPORT ON DEBT OBLIGATION

(FORM CT-0253)

CITY OF DAYTON SRF 2023-477

Pursuant to Tenn. Code Ann. § 9-21-134, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-134 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that it may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

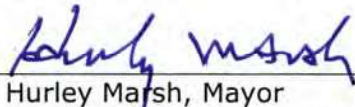
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, City of Dayton, attests that it is in compliance with Tenn. Code Ann. § 9-21-134 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related to this rule.


Hurley Marsh, Mayor

December 6, 2022
Date

This is the Comptroller's certificate as required by TCA 4-31-108.



City of Dayton

P. O. Box 226, Dayton, Tennessee 37321
(423) 775-1817 Fax (423) 775-8404



January 4, 2023

Tennessee Local Development Authority and
Tennessee Department of Economic & Conservation
ATTN: State Revolving Loan Program
Rosa L. Parks Avenue, 12th Floor
Nashville, TN 37243

RE: City Dayton
Loan # CW20 2023-345 & Loan # SRF 2023-477;
Wastewater Treatment Plant Improvements and Secondary Treatments
Wauford Project No. 4623

Dear Madam/Sir:

The City of Dayton has had Audit Reports submitted late for various reasons and the City is diligently working to provide the auditors with all the requested information as quickly as possible.

As stated in our letter dated January 7, 2021, below are the explanations for the late audit reports for fiscal year ending June 30, 2016 – 2020.

2016: Auditors had requested extra time to finalize the information

2017: Auditors had requested extra time because they were awaiting the State Commodity Confirmation plus they were awaiting review from the City of the draft report in order to provide the MD&A and corrective action plans. The City also had some employee changes during the year that caused some delays.

2018: Auditors had requested extra time to finalize the information.

2019: Additional fieldwork was needed by the Auditors because of the City's new computer system implementation for some departments then COVID-19 has caused additional delays. The City also had some employee changes during the year that caused some delays.

2020: Audit is not complete due to COVID-19 precautions that have prevented the auditors from being on site for fieldwork as much and having to provide information through email along with new computer software changes for some departments.

Our 2021 audit report was late due to the auditors not receiving all of the requested data so they could complete the audit report by December 31, 2021.

At the present time our 2022 Audit Report has not been submitted due to the requirements of GASB 87 and the documentation needed to properly account for leases, implementation of new accounting standards and making sure all documentation is properly accounted for on grants. We also had some moving of offices at Dayton City School which has slowed the providing of documents/paperwork for the audit.

If you should have any questions or need any additional information, please feel free to call at any time.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas W. Solomon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Thomas W. Solomon
City Manager

TWS/tac



CITY OF DAYTON

399 FIRST AVENUE • P. O. BOX 226 • DAYTON, TN 37321 • 423-775-1817 • WWW.DAYTONTN.NET

MANAGEMENT'S CORRECTIVE ACTION PLAN

March 30, 2023

Comptroller of the Treasury, Office of State and Local Finance
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

The City of Dayton respectfully submits the following corrective action plan for the year ended June 30, 2022.

Independent public accounting firm:

Neal, Scouten, McConnell, PC
Suite 1440 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1440

Audit Period: July 1, 2021 – June 30, 2022

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2022-001: Inadequate Controls over Preparation of Financial Statements

Accounting standards dictate that management is responsible for preparation of the financial statements. An audit of the financial statements of an organization requires the evaluation of the internal control system's design of controls in generating and overseeing of the financial statements to be audited. The organization must have the ability to prepare and evaluate the financial statements' format, content, and disclosures in accordance with generally accepted accounting principles and recognize any material items missing in the statement through the organization's control system. This is true whether the organization prepares the financial statements or not. These controls can be

established or achieved by use of a third party organization or internally, but external auditors are never considered a control element.

The City currently does not prepare financial statements under generally accepted accounting principles. The external auditors prepare the statements and disclosures and management approves and takes responsibility for the statements after they are prepared.

Recommendation:

We recommend the City continue to monitor the need, costs, and benefits of developing a control structure to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

Action Taken:

The City feels we meet our internal needs and it is not cost beneficial to hire a third party to prepare the financial statements.

2022-002: Accounts Receivable and Allowance for Doubtful Accounts in Electric, Water and Sewer, and Sanitation Funds

Standard accounting procedures and properly established internal controls require that general ledger balances are reconciled and supported by appropriate underlying documentation. Unsupported or inappropriate balances should not be present on the general ledger.

Recommendation:

We recommend the City improve controls over reconciliation of customer accounts receivable and the associated allowance for doubtful accounts receivable based on aged customer accounts receivable trial balances and historical charge-off activity by fund.

Action Taken:

The City gathered detailed reporting and sought advice from our CPA firm on the best solution in correcting this outstanding conversion issue. As of February 2023, the City has implemented a process to analyze and reconcile the general ledger balances.

2022-003: Accounting for Capital Assets

Proper governmental accounting requires Governmental Funds to expense capital asset purchases while the activity must be recorded and depreciated, where applicable, for the Government-wide financial statements and Proprietary Funds.

Recommendation:

We recommend all capital asset activity be recorded in capital outlay and other similar identifiable accounts within the governmental Funds. This information should be developed to properly record Governmental Activities in the capital asset system. The capital outlay accounts should be reconciled to the capital asset system. Proprietary Funds should ensure that capital asset activity, including depreciation, is properly recorded and agrees to the capital assets and depreciation reports.

Action Taken:

The City is re-evaluating our process both with Governmental Activities and Proprietary Funds to ensure all capital outlay and capital asset activity is recorded correctly and agrees to the assets and depreciation reports.

2022-004: Controls over Water and Sewer Fund Intrafund Water Sales and Purchases

Internal controls over billing procedures require the accurate recording of sales and purchases. Internally generated sales do not represent sales.

Recommendation:

We recommend the City improve controls over recording and tracking internal transactions to properly eliminate intrafund sales and purchases activity.

Action Taken:

No action needs to be taken; in March 2022 the Summer City and Evensville master meters became read only. The adjustment to eliminate the July 2021 – February 2022 water sale amount was posted in the fiscal year of 2022, correcting the revenues.

2022-005: Improper Controls over Grant Transactions

Uniform Guidance requires that systematic proper supporting documentation be maintained for grant activity. The Uniform Guidance also dictates that the City is responsible for preparing the Schedule of Federal and State Awards.

Recommendation:

We recommend proper controls be established for gathering, naming, identifying, reconciling and maintaining grant documentation. This documentation should be the basis for preparation of the Schedule of Expenditures of Federal and State Awards and support all aspects of grant reconciliation, administration and compliance.

Action Taken:

The current process for grant controls is being re-evaluated to develop a stronger control for gathering, naming, identifying, reconciling and maintaining all grant documents.

2022-006: Lack of Controls over Inventory in Electric and Water and Sewer Funds

An effective internal control structure for inventory includes a plan of organization and all the procedures and actions it takes to protect its assets against theft and waste, ensure compliance with City policies, and ensure accurate and reliable operating data and accounting reports.

Recommendation:

We recommend the City implement an inventory management system with a series of procedures that tracks assets progression through the inventory cycle, enables City personnel to understand inventory reports, provides for an adequate segregation of duties, and to conduct cycle counts periodically throughout an accounting period.

Action Taken:

The city is re-evaluating our Inventory process and will implement an inventory management system that will provide an adequate segregation of duties and will conduct cycle counts at least quarterly.

2022-007: Lack of Controls over Cash Account and Reconciliation of Cash

Accounting procedures require bank reconciliations and reconciling items to be completed in a timely manner to provide internal controls over cash.

Recommendation:

We recommend all cash accounts be reconciled to the general ledger monthly with proper due diligence and research conducted on outstanding, reconciling items to ensure accuracy and accountability of all cash transactions.

Action Taken:

DCS has re-evaluated our internal controls related to bank reconciliations. The Cafeteria Manager and Finance Director are implementing these control in FY23.

2022-008: Prior Year Audit Adjusting Entries Not Recorded and Erroneously Recorded

Proper accounting and closeout procedures dictate that prior year audit adjustments be recorded.

Recommendation:

We recommend the City make all audit adjustments to the correct general ledger accounts.

Action Taken:

The city has re-evaluated our internal controls and implemented a system to verify audit adjustments are posted.

2022-009: Compliance with State Budgetary Requirements

Tennessee Code Annotated 6-56-203 requires that all expenditures of governmental funds be appropriated. A municipality may not expend money from any source, except in accordance with a budget ordinance adopted under this section.

Recommendation:

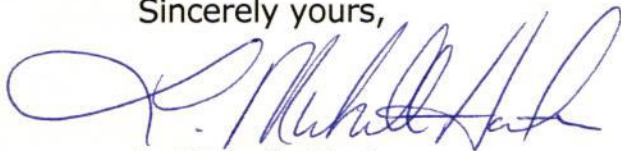
We recommend that management monitor the level of expenditures in all governmental funds throughout the fiscal year to ensure that all expenditures are properly budgeted and that the annual budget ordinance is amended accordingly.

Action Taken:

Dayton City School management has strengthened its controls to be in accordance with Tennessee Code 6-56-203. We are evaluating our expenditure budget monthly, and even weekly at the end of the fiscal year.

If the Comptroller of the Treasury, Office of State and Local Finance has questions regarding this plan, please call L. Michelle Horton, City Recorder at 423-664-0726.

Sincerely yours,



L. Michelle Horton
City Recorder



JASON E. MUMPOWER
Comptroller

April 19, 2023

Mr. Thomas W. Solomon
City of Dayton
PO Box 226
Dayton, Tennessee 37321

Dear Mr. Solomon:

During the review of the City of Dayton's (the "City") State Revolving Fund (SRF) loan application, the Tennessee Department of Environment and Conservation (TDEC) observed that the City did not file its fiscal year 2022 audit report within six months after fiscal year end and provided a letter regarding the delinquency to our office that serves as staff to the Tennessee Local Development Authority (TLDA). TLDA staff further observed that the City has a history of filing its audit reports late.

The City cited that the reason for the late submission of the fiscal year 2022 audit report was due to a change in accounting requirements of GASB 87 and also a change in office locations which delayed delivery of documents to its auditors. The City also provided explanations for previous late audit submissions. Please be aware that the audit contract does not provide for filing annual audit reports later than six months after the fiscal year end, and the Comptroller's Division of Local Government Audit (LGA) did not grant permission to extend the contracted filing deadline. The City should contact LGA for clarification of audit contract requirements.

The SRF loan agreement and state law require local governments to file an annual audit report within six months after fiscal year end. **Failure to timely file reports may delay, or result in disapproval of, SRF loan approvals and funding requests.** The City's loan application will be presented for consideration for approval at the April 26, 2023, TLDA meeting with the expectation that the City will develop a corrective action plan to timely file future reports.

Information on the SRF program's audit filing requirement is contained in the TLDA's SRF Policy and Guidance for Borrowers which can be obtained online at:

<https://www.comptroller.tn.gov/boards/tennessee-local-development-authority/tlda-information/policies.html>.

Please let me know if you have any questions in this regard.

Sincerely,

A handwritten signature in blue ink that reads "Sandra W. Thompson".

Sandra W. Thompson, Director
Comptroller of the Treasury
Division of State Government Finance
Assistant Secretary to the TLDA

cc: Paula Mitchell, Deputy Director, TDEC SRF
Felicia Freeman, Technical Team Manager, TDEC SRF
Jean K. Suh, Contract Audit Review Manager, LGA
Sheila Reed, Director, Local Government Finance

From: [Ross Colona](#)
To: [Sandi Thompson](#)
Cc: [Alicia West](#)
Subject: RE: South Pittsburg
Date: Tuesday, April 11, 2023 9:54:43 AM
Attachments: [image002.png](#)
[image003.png](#)

Good morning,

The City does have the ability to rescind the ordinance, and it would take a vote of the governing body to do so. If there were under a directive from the Water and Wastewater Financing Board for their rates, they would not have the ability to rescind the ordinance, but since it was self-imposed, then they would have the ability to reverse the decision should they vote to do so. If they entered into a contract with a governmental entity such as TDEC or TLDA (not sure if TLDA has the authority to enter into such contracts), then they wouldn't have the ability to do so without facing repercussions for violation of the contract. I don't think there would be any requirement for a notice of rescinding the ordinance, unless that was a contractual obligation on the City. I'm not familiar with the paperwork involved with SRF loans, but unless there is a requirement they make notices to TLDA/TDEC of rate changes during the life of the loan, then there are no rate reporting requirements for cities.

I haven't really seen that happen before, but it is a possibility. However, should such a situation arise, I would have the WWFB, UMRB, or the TBOUR (the new board after our utility legislation passes this year), open an investigation into the matter and force compliance with TDEC's requirements.

In short, this is a possibility that could have a repercussion of a TBOUR investigation which would then order compliance. Otherwise, South Pittsburg could be offered a contract establishing the minimum rates during the time period for compliance.

Let me know if you have any more questions with that explanation!

Thanks,

Ross

Ross Colona

Assistant Director, Local Government Finance

Comptroller of the Treasury

425 Rep. John Lewis Way North | Nashville, TN 37243

Ross.Colona@cot.tn.gov | Utilities Line 615.747.5260 | Direct Line 615.401.7943



Mission: To Make Government Work Better

From: Sandi Thompson <Sandi.Thompson@cot.tn.gov>
Sent: Tuesday, April 11, 2023 9:28 AM
To: Ross Colona <Ross.Colona@cot.tn.gov>
Cc: Alicia West <Alicia.West@cot.tn.gov>
Subject: RE: South Pittsburg

Oh, I forgot, one more question, are they required to notify TDEC/TLDA if they have rescinded the ordinance?

From: Sandi Thompson
Sent: Tuesday, April 11, 2023 9:26 AM
To: Ross Colona <Ross.Colona@cot.tn.gov>
Cc: Alicia West <Alicia.West@cot.tn.gov>
Subject: South Pittsburg
Importance: High

Good morning, Ross:

We are following up on a question posed by Commissioner Bryson at our most recent TLDA meeting and I thought you might be able to help. The City of South Pittsburg passed an ordinance to increase its rates over a period of three years to meet TDEC's requirement to receive approval for a SRF Clean Water loan. **The question was whether the City had the ability to rescind the ordinance.** Paula Mitchell indicated that she had not experienced that happening in the past, but Commissioner voiced his concern over the possibility. Do you know if they have the ability to rescind? If so, would there be repercussions?

Thanks in advance for your help!

Sandi

Sandra W. Thompson, CCTS

Director

Comptroller of the Treasury

Division of State Government Finance

425 Rep. John Lewis Way, N. | Nashville, TN 37243

Sandi.Thompson@cot.tn.gov | Direct Line 615.747.5369 | Cell 615.823.0947



Our Mission: To make government work better.

Loan Agreement

Section 2. Projects

Item c: *“Failure to adhere to the project schedule established above or secure an amended project schedule from the State Revolving Fund Loan Program, will constitute a breach of contract, and may result in loss of principal forgiveness, loss of interest rate reduction or both.”*

Section 12. Representations and Pledges of the Local Government

Item k: *“To establish and collect, and to increase, user fees and charges and/or levy, as the case may be, ad valorem taxes as needed to pay the monthly installments due under this Loan Agreement, as well as the costs of operation and maintenance including depreciation and debt service of the system of which the Project is part;”*

Section 13. Security and Default

This section provides that a breach of a non-payment provision of the Loan Agreement will constitute an event of default after notice and an opportunity to cure, so if the fees were reduced and not subsequently increased, TLDA would be able to terminate the Loan Agreement for cause.

General Certificate

Section 3. *“The resolution or ordinance of the Local Government duly adopted on September 13, 2022, a copy of which is attached, establishing the rate and fee structure for the water system of which the Project is a part has not been amended, modified, supplemented, or rescinded since its date of adoption.”*

Section 4. *“The Local Government is aware that each request for disbursement submitted pursuant to Section 5 of the Project Loan Agreement constitutes a reaffirmation by the Local Government as to the continuing truth and completeness of the statements and representations contained in the Project Loan Agreement.”*