

**NEW ISSUE**  
BOOK-ENTRY-ONLY

**PRELIMINARY OFFICIAL STATEMENT**

**\$3,000,000\***  
**CITY OF DUNLAP, TENNESSEE**  
**General Obligation Bonds, Series 2019**

OFFERED FOR SALE NOT SOONER THAN

Wednesday, May 1, 2019 at 10:15 A.M. E.D.T.

Through the Facilities of *PARITY*<sup>®</sup>

and at the offices of

Cumberland Securities Company, Inc.

Knoxville, Tennessee



SINCE 1931

**CUMBERLAND SECURITIES**

INDEPENDENT FINANCIAL ADVISOR

April 25, 2019

\*Preliminary, subject to change.

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

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 25, 2019**

**NEW ISSUE**  
**BOOK-ENTRY-ONLY**

Rating: S&P – “AA-”  
(See “MISCELLANEOUS-Rating” herein)

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, 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 for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)*

**\$3,000,000\***  
**CITY OF DUNLAP, TENNESSEE**  
**General Obligation Bonds, Series 2019**

Dated: Date of delivery (Assume May 30, 2019).

Due: June 1, as shown below.

The \$3,000,000\* General Obligation Bonds, Series 2019 (the “Bonds”) issued by the City of Dunlap (the “City”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2019 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. See section entitled “SECURITIES OFFERED – Security”.

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

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2020	\$ 75,000				2033	\$ 120,000			
2021	75,000				2034	125,000			
2022	80,000				2035	130,000			
2023	80,000				2036	135,000			
2024	85,000				2037	140,000			
2025	90,000				2038	145,000			
2026	90,000				2039	150,000			
2027	95,000				2040	160,000			
2028	100,000				2041	165,000			
2029	100,000				2042	170,000			
2030	105,000				2043	175,000			
2031	110,000				2044	185,000			
2032	115,000								

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the City by Stephen T. Greer, Esq., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about May \_\_, 2019.

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

May \_\_, 2019

\*Preliminary, subject to change.

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

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

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

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

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

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

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

CITY OF DUNLAP, TENNESSEE

**BOARD OF MAYOR AND COMMISSIONERS**

Dwain Land, Mayor

Judy Layne, Vice Mayor

Bryan Harmon

Jeff Harmon

Allen Jones

**CITY OFFICIALS**

Norman Hatfield

*City Recorder/Treasurer*

Stephen T. Greer

*City Attorney*

**BOND REGISTRATION AND PAYING AGENT**

Regions Bank

Nashville, Tennessee

**BOND COUNSEL**

Bass, Berry & Sims PLC

Knoxville, Tennessee

**MUNICIPAL ADVISOR**

Cumberland Securities Company, Inc.

Knoxville, Tennessee



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## SUMMARY STATEMENT

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

- The Issuer ..... City of Dunlap, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
- Securities Offered.....\$3,000,000\* General Obligation Bonds, Series 2019 (the “Bonds”) of the City, dated the date of issuance (assume May 30, 2019). The Bonds mature each June 1 beginning June 1, 2020 through June 1, 2044, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
- Security.....The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.
- Purpose .....The Bonds are being issued for the purpose of financing, in whole or in part, (i) the acquisition of equipment for fire prevention and emergency response purposes; (ii) the acquisition, construction, improvement and equipping of fire station, police and recreation facilities; (iii) construction of and improvements to highways, streets, sidewalks and street lighting; (iv) acquisition of street improvement equipment (collectively, the "Projects"); (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the Projects; (vi) reimbursement to the Municipality for funds previously expended for any of the foregoing; (vii) payment of capitalized interest during construction of the Projects and for up to six months thereafter; and (viii) paying costs of issuance of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.
- Optional Redemption .....The Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026. See the 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 City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
- Bank Qualification.....The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
- Rating.....S&P: “AA-”. See the section entitled “MISCELLANEOUS - Rating” for more information.
- Municipal Advisor.....Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.

Underwriter.....

Bond Counsel .....Bass, Berry & Sims PLC, Knoxville, Tennessee.

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

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

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

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

Other Information.....The information in this *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the City or this *Preliminary Official Statement*, contact Mr. Dwain Land, City Mayor, 15595 Rankin Avenue, Dunlap, Tennessee 37327, Telephone: 423-949-2115; or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 800-850-7422.

**GENERAL FUND BALANCES**  
**Summary of Changes In Fund Balances** (In Thousands)  
(Fiscal Years Ending June 30)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Beginning Fund Balance	\$ 980,271	\$ 957,923	\$ 856,307	\$ 948,160	\$2,704,712
Revenues	3,133,460	3,300,898	3,450,054	3,532,323	3,504,468
Expenditures	2,995,808	3,212,514	3,129,686	3,410,865	4,822,727
Excess (Deficiency) of Revenues Over Expenditures	137,652	88,384	320,368	121,458	(1,318,259)
Transfers In	-	-	-	-	-
Transfers Out	(160,000)	(190,000)	(228,515)	(194,712)	(278,553)
<b>Ending Fund Balance</b>	<b><u>\$ 957,923</u></b>	<b><u>\$ 856,307</u></b>	<b><u>\$ 948,160</u></b>	<b><u>\$2,741,610</u></b>	<b><u>\$2,704,712</u></b>

Source: Comprehensive Annual Financial Reports of the City of Dunlap, Tennessee.

## SUMMARY NOTICE OF SALE

**\$3,000,000\***

### **CITY OF DUNLAP, TENNESSEE General Obligation Bonds, Series 2019**

NOTICE IS HEREBY GIVEN that the Mayor of City of Dunlap, Tennessee (the “City”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, May 1, 2019** for the purchase of all, but not less than all, of the City's \$3,000,000\* General Obligation Bonds, Series 2019 (the “Bonds”). Electronic bids must be submitted through **PARITY**<sup>®</sup> as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**<sup>®</sup> System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY**<sup>®</sup> System.

Electronic bids must be submitted through **PARITY**<sup>®</sup> 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**<sup>®</sup> shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume May 30, 2019). The Bonds will mature on June 1 in the years 2020 through 2044, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2019, and will be subject to optional redemption prior to maturity on or after June 1, 2026. Bidders must bid not less than ninety-eight and one-half percent (98.50%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the Mayor of the City 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 City will require bidders to comply with the “hold-the-offering-price rule” or the “10% Test” for purposes of determining the issue price of the Bonds.**

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

/s/ Dwain Land  
Mayor

DETAILED NOTICE OF SALE

**\$3,000,000\***

**CITY OF DUNLAP, TENNESSEE**  
**General Obligation Bonds, Series 2019**

NOTICE IS HEREBY GIVEN that the Mayor of City of Dunlap, Tennessee (the “City”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, May 1, 2019** for the purchase of all, but not less than all, of the City’s \$3,000,000\* General Obligation Bonds, Series 2019 (the “Bonds”). Electronic bids must be submitted through *PARITY*<sup>®</sup> as described in the “Detailed Notice of Sale.” In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the *PARITY*<sup>®</sup> System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the *PARITY*<sup>®</sup> System.

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance (assume May 30, 2019), bear interest payable each June 1 and December 1, commencing December 1, 2019, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature and be payable as follows:

<u>YEAR</u> <u>(June 1)</u>	<u>AMOUNT*</u>	<u>YEAR</u> <u>(June 1)</u>	<u>AMOUNT*</u>
2020	\$ 75,000	2033	\$ 120,000
2021	75,000	2034	125,000
2022	80,000	2035	130,000
2023	80,000	2036	135,000
2024	85,000	2037	140,000
2025	90,000	2038	145,000
2026	90,000	2039	150,000
2027	95,000	2040	160,000
2028	100,000	2041	165,000
2029	100,000	2042	170,000
2030	105,000	2043	175,000
2031	110,000	2044	185,000
2032	115,000		

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

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

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

In the event that the Book-Entry-Only system for the Bonds is discontinued and a successor securities depository is not appointed by the City, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the City 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 corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Municipal Bond Insurance. The City 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 City will cooperate with the successful bidder(s) in obtaining such insurance, but the City 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 S&P's that will be paid by the City.

Purpose. The Bonds are being issued for the purpose of financing, in whole or in part, (i) the acquisition of equipment for fire prevention and emergency response purposes; (ii) the acquisition, construction, improvement and equipping of fire station, police and recreation facilities; (iii) construction of and improvements to highways, streets, sidewalks and street lighting; (iv) acquisition of street improvement equipment (collectively, the "Projects"); (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the Projects; (vi) reimbursement to the Municipality for funds previously expended for any of the foregoing; (vii) payment of capitalized interest during construction of the Projects and for up to six months thereafter; and (viii) paying costs of issuance of the Bonds.

Optional Redemption. The Bonds maturing on June 1, 2027 and thereafter are subject to optional redemption prior to maturity at the option of the City on or after June 1, 2026 at any time at the redemption price of par plus accrued interest as provided herein.

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

Bidding Instructions. The City will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-eight and one-half percent (98.50%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**<sup>®</sup> 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 City 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**<sup>®</sup> 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**<sup>®</sup> conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**<sup>®</sup> 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 City. The City 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**<sup>®</sup>. The use of **PARITY**<sup>®</sup> facilities are at the sole risk of the prospective bidders.

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

In the event of a system malfunction in the electronic bidding process only, bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the City’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 City 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 City’s Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

The City reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted. Acceptance or rejection of “Bids for Bonds” for the Bonds will not obligate the City to accept or reject “Bids for Bonds”.

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

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

Adjustment and/or Revision. While it is the City’s intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds or if the refundings fail to save the City the funds necessary to complete the refundings. Accordingly, the 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 principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the 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 City. Additionally, the Mayor reserves the right to change the dated date of the Bonds. The maximum adjustment will only occur if the bidder bids the maximum price.

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

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern 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 City's Municipal Advisor (wire transfer or certified check) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the City's Municipal Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

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

In the event of the failure of the City 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 City 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 City within 24 hours after award, furnish the following information to the City 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 City 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 City determines is necessary to complete the Detailed Statement in final form.

After the award of the Bonds, the City 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 City 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 City in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The City 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 City expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

#### Issue Price Certificate

- a. The successful bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City, on or prior to the date of issuance and delivery of the Bonds (the “Closing Date”), an “issue price” or similar certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A or Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the City and Bass, Berry & Sims PLC (“Bond Counsel”). All actions to be taken by the City under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Financial Advisor and any notice or report to be provided to the City may be provided to the Financial Advisor.
- b. The City 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 City 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 City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;
  4. the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale; and
  5. Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.
- c. In the event that the Competitive Sale Requirements are not satisfied, the City shall so advise the successful bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the City if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The City shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.
- d. By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5th) business day after the sale date; or
  2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

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

- e. If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.
- f. The City acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.
- g. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.
- h. Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
  - 1. “public” means any person other than an underwriter or a related party;
  - 2. “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial

sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
4. “sale date” means the date that the Bonds are awarded by the City to the successful bidder.

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

Legal Opinion. The 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 City. 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 City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after each of the City's fiscal years (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (the “EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the City is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the City's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given to the successful bidder. 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 City. The City 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 City 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 City will furnish the successful bidder at the expense of the City a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of the bid will constitute a contract between the City 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 City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**<sup>®</sup> may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Dwain Land, Mayor

**EXHIBIT A**

**CITY OF DUNLAP, TENNESSEE  
\$ \_\_\_\_\_ GENERAL OBLIGATION BONDS, SERIES 2019**

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

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

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

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

2. ***Defined Terms.***

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 1, 2019.
- (d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including

specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

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

[NAME OF UNDERWRITER]

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

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

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

**EXHIBIT B**

**CITY OF DUNLAP, TENNESSEE**  
**\$ \_\_\_\_\_ GENERAL OBLIGATION BONDS, SERIES 2019**

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

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

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

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

2. ***Defined Terms.***

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

- (d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 1, 2019.
- (f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

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

[NAME OF UNDERWRITER]

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



BID FORM

Honorable Dwain Land, Mayor  
 15595 Rankin Avenue  
 Dunlap, Tennessee 37327

May 1, 2019

Dear Mr. Land:

For your legally issued, properly executed \$3,000,000\* General Obligation Bonds, Series 2019 (the "Bonds") of City of Dunlap, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_ (\$\_\_\_\_\_).

The Bonds shall be dated the date of issuance (assume May 30, 2019) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<b>Maturity (June 1)</b>	<b>Amount*</b>	<b>Rate</b>	<b>Maturity (June 1)</b>	<b>Amount*</b>	<b>Rate</b>
2020	\$ 75,000	___	2033	\$ 120,000	___
2021	75,000	___	2034	125,000	___
2022	80,000	___	2035	130,000	___
2023	80,000	___	2036	135,000	___
2024	85,000	___	2037	140,000	___
2025	90,000	___	2038	145,000	___
2026	90,000	___	2039	150,000	___
2027	95,000	___	2040	160,000	___
2028	100,000	___	2041	165,000	___
2029	100,000	___	2042	170,000	___
2030	105,000	___	2043	175,000	___
2031	110,000	___	2044	185,000	___
2032	115,000	___			

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 are offered for sale as "qualified tax-exempt obligations" subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the City without cost to us.

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

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

Accepted for and on behalf of the  
 City of Dunlap, Tennessee, this  
 1<sup>st</sup> day of May, 2019.

Respectfully submitted,

\_\_\_\_\_  
 Dwain Land, Mayor

\_\_\_\_\_  
 Total interest cost from  
 May 30, 2019 to final maturity \$ \_\_\_\_\_  
 Less: Premium /plus discount, if any \$ \_\_\_\_\_  
 Net Interest Cost \$ \_\_\_\_\_  
 True Interest Rate ..... %

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



**\$3,000,000\***  
**CITY OF DUNLAP, TENNESSEE**  
**General Obligation Bonds, Series 2019**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by City of Dunlap, Tennessee (the “City”) of \$3,000,000\* General Obligation Bonds, Series 2019 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Mayor and Alderman of the City on March 21, 2019 (the “Resolutions”).

The Bonds are being issued for the purpose of financing, in whole or in part, (i) the acquisition of equipment for fire prevention and emergency response purposes; (ii) the acquisition, construction, improvement and equipping of fire station, police and recreation facilities; (iii) construction of and improvements to highways, streets, sidewalks and street lighting; (iv) acquisition of street improvement equipment (collectively, the "Projects"); (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the Projects; (vi) reimbursement to the Municipality for funds previously expended for any of the foregoing; (vii) payment of capitalized interest during construction of the Projects and for up to six months thereafter; and (viii) paying costs of issuance of the Bonds.

**DESCRIPTION OF THE BONDS**

The Bonds will be dated and bear interest from their date of issuance and delivery (assume May 30, 2019). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2019. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. 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 corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

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

### **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 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.

### **OPTIONAL REDEMPTION OF THE BONDS**

The Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026 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 Mayor and Aldermen, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

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

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

### **MANDATORY REDEMPTION**

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20\_\_, and June 1, 20\_\_ on the redemption

dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the manner described above relating to optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City 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 City 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 City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

## **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City 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 City 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 City pursuant to written

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

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

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

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

### BOOK-ENTRY-ONLY SYSTEM

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

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

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

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates

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

*Purchase of Ownership Interests.* Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 City 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 City 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 City believes to be reliable, but the City, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

None of the City, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

## **DISPOSITION OF BOND PROCEEDS**

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

- (a) all accrued interest shall be deposited into the Bond Fund of the City and used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds; and
- (b) 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 known as the 2019 Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the Mayor to be kept separate and apart from all other funds of the City. The City 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. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the City for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be invested in such investments as shall be permitted by applicable law.

## **DISCHARGE AND SATISFACTION OF BONDS**

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

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

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

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

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City 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 City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City 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 City, as received by the Registration Agent. For the purposes described above, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

## **REMEDIES OF BONDHOLDERS**

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

- (1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City 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 City to carry out any other covenants and agreements, or

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

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## LEGAL MATTERS

### LITIGATION

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

### TAX MATTERS

#### **Federal**

*General.* Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City 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"),
- is not a preference item for a bondholder under the federal alternative minimum tax.

The Code imposes requirements on the Bonds that the City 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 City 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 City has covenanted to do everything necessary to meet these requirements of the Code.

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

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

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

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

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

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

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

*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 City 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 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 City 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 Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Recorder 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 City 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.”

*(The remainder of this page left blank intentionally.)*



## MISCELLANEOUS

### RATING

S&P Global Ratings (“S&P”) has given the Bonds the rating of “AA-”.

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

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

### COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on May 1, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 25, 2019.

The successful bidder for the Bonds was an account led by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the “Underwriters”) who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$ \_\_\_\_\_ (consisting of the par amount of the Bonds, less an underwriter’s discount of \$ \_\_\_\_\_ and less an original issue discount of \$ \_\_\_\_\_) or \_\_\_\_% of par.

### MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

*Municipal Advisor.* Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the “Municipal Advisor”) to the City 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 City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City’s financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, 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 City 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 City in other normal commercial banking capacities, it will be compensated separately for such services.

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

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFICIAL STATEMENT, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

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

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

## **ADDITIONAL DEBT**

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

## **DEBT LIMITATIONS**

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the City 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 City from information available. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

## **CONTINUING DISCLOSURE**

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

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

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

Annual Report shall also include in a similar format the following information included in APPENDIX B entitled “SUPPLEMENTAL INFORMATION STATEMENT.”

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-7;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-8 and B-9;
3. Information about the Bonded Debt Service Requirements – General Obligation as of the end of such fiscal year as shown on page B-10;
4. Information about the Bonded Debt Service Requirements – Revenue and Tax Backed Water and Sewer System as of the end of such fiscal year as shown on page B-11;
5. Information about the Bonded Debt Service Requirements – Revenue and Tax Backed Gas System as of the end of such fiscal year as shown on page B-12;
6. The fund balances and retained earnings for the fiscal year as shown on page B-13;
7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-14;
8. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-20;
9. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-21; and
10. The ten largest taxpayers as shown on page B-21.

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 City 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 City shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The City 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 City 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 City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - g. Modifications to rights of Bondholders, if material;
  - h. Bond calls, if material, and tender offers;
  - i. Defeasances;
  - j. Release, substitution, or sale of property securing repayment of the securities, if material;
  - k. Rating changes;
  - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
  - m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a

financial obligation of the City, 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 City, any of which reflect financial difficulties.

*Termination of Reporting Obligation.* The City'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 City 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 City 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 City. 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 City 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 City 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 City to comply with the Disclosure Certificate shall be an action to compel performance.

## **ADDITIONAL INFORMATION**

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

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

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

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City 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 City 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.

*(The remainder of this page left blank intentionally.)*



**CERTIFICATION OF THE CITY**

On behalf of the City, 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/ \_\_\_\_\_  
Mayor

ATTEST:

/s/ \_\_\_\_\_  
City Recorder



**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 City of Dunlap, Tennessee (the "Issuer") of the \$\_\_\_\_\_ General Obligation Bonds, Series 2019 (the "Bonds") dated \_\_\_\_\_, 2019. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

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

26440263.1

**APPENDIX B**

**SUPPLEMENTAL INFORMATION STATEMENT**





## GENERAL INFORMATION

### LOCATION

The City of Dunlap (the “City”) is the County Seat of Sequatchie County (the “County”), which is located in the southeastern portion of the State. The County is bordered on the north by Bledsoe County, east by Hamilton County, south by Marion County, and on the west by Grundy County and Van Buren County. Chattanooga is approximately 35 miles southeast of the County.

### GENERAL

The County, the youngest and smallest of the three counties comprising Sequatchie Valley, has an area of two hundred fifty square miles. The valley was named for the Cherokee Chief, Sequachee, who signed a treaty with the colonial government of South Carolina. The Sequatchie Valley is unique in that it was formed by giant shears as the plateau split apart giving the valley its shape. The valley never exceeds five miles in width. The valley includes plentiful farms, forests, mountains and the Sequatchie River that winds southward through it. Historically, Sequatchie County was developed in the late 1800's as a coal mining area, with mines on Fredonia Mountain above Dunlap. A large portion of the County is made up of farmland.

The County is part of the Chattanooga, TN-GA Metropolitan Statistical Area (the “MSA”) that had a population of 523,954 according to the 2010 US Census. The MSA includes Hamilton County, Marion County, Sequatchie County and a portion of northern Georgia.

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

According to the 2010 U.S. Census, the population of the County is 14,112. The City of Dunlap has a 2010 US Census population of 4,815.

### TRANSPORTATION

The County is served by U. S. 127 and State routes 8, 28, 111, 283 and 399. Interstates I-29, I-59 and I-75 are only 28 miles away. Rail service is provided by the Sequatchie Valley Railroad. The nearest port is located 31 miles away in Chattanooga. Local air service is provided by the Marion County Airport in nearby Jasper, Tennessee. It has a 3,500-foot asphalt runway. The nearest commercial airport is the Chattanooga Metro Airport.

### EDUCATION

The *Sequatchie County School System* consists of three schools; Griffith Elementary, grades K-4, which also includes pre-school and project child program; Sequatchie County Middle School,

grades 5-8 and Sequatchie County High School, grades 9-12. The School System also shares a vocational school with Bledsoe County available for grades 9-12. The fall 2017 enrollment was 2,173 students with 133 teachers.

*Source:* Tennessee Department of Education.

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

Since 2007 CSTCC has invested more than \$2.3 million in technology curriculum updates and expansions to relate directly to automotive industry and suppliers, as well as energy and nuclear industries moving to the area. Volkswagen has completed construction on a \$1 billion plant in nearby Chattanooga that employs about 2,000 people. The large work force needed has the opportunity to be trained for Volkswagen in addition to the suppliers. Chemical operator and mechanical and electrical/instrumentation apprentices will work one to two days a week at the plant in addition to their class work.

*Source:* Chattanooga State Technical Community College.

*The Tennessee College of Applied Technology at Chattanooga State.* The Tennessee College of Applied Technology at Chattanooga State (the “TCAT-CS”) is part of a statewide system of 26 vocational-technical schools. The TCAT-CS meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-CS is a unit of Chattanooga State Technical Community College and serves the southeastern region of the state including Hamilton, Sequatchie, Bledsoe, Marion, and Grundy Counties or in nearby north Georgia and Alabama. The TCAT-CS began operations in 1969, and the 90 acre main campus is located in Hamilton County. Fall 2016 enrollment was 1,943 students.

*Source:* Tennessee College of Applied Technology at Chattanooga State.

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## MANUFACTURING AND COMMERCE

The Sequatchie Valley Industrial Park is located one mile from town and contains approximately 40 acres with utilities available. It is owned by the City and the County.

### Major Employers located in Sequatchie County

<u>Company</u>	<u>Product/Service</u>	<u>Employment</u>
Sequatchie County School System	Education	350
SE TN HR Agency	Public Service	225
Citizens Tri-County Bank	Bank	200
Wal-Mart	Retail	175
Mann + Hummel	Automotive Filters	150
NHC Health Care	Hospital	120
Sequatchie County Government	Government	100

*Source:* Southeast Industrial Development Association - 2018.

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## EMPLOYMENT

The unemployment rate for the County as of January 2019 was 4.5% representing 5,810 persons employed out of a labor force of 6,090.

As of January 2019, the unemployment rate in the Chattanooga, TN-GA MSA stood at 3.7%, representing 261,630 persons employed out of a workforce of 271,610. As of January 2019, the unemployment rate in the Chattanooga-Cleveland-Athens CSA stood at 4.2%, representing 432,730 persons employed out of a workforce of 451,840.

	<b>Unemployment</b>				
	Annual Average <b><u>2013</u></b>	Annual Average <b><u>2014</u></b>	Annual Average <b><u>2015</u></b>	Annual Average <b><u>2016</u></b>	Annual Average <b><u>2017</u></b>
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
<b>Sequatchie County</b>	<b>8.6%</b>	<b>7.4%</b>	<b>6.5%</b>	<b>5.8%</b>	<b>4.9%</b>
Index vs. National	116	119	123	118	111
Index vs. State	110	112	116	123	132
<b>Chattanooga, TN-GA MSA</b>	<b>7.4%</b>	<b>6.4%</b>	<b>5.5%</b>	<b>4.9%</b>	<b>3.9%</b>
Index vs. National	100	103	104	100	89
Index vs. State	95	97	98	104	105
<b>Chattanooga-Cleveland-Athens CSA</b>	<b>7.6%</b>	<b>6.5%</b>	<b>6.3%</b>	<b>5.0%</b>	<b>4.0%</b>
Index vs. National	103	105	119	102	91
Index vs. State	97	98	113	106	108

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

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## ECONOMIC DATA

### Per Capita Personal Income

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	\$44,826	\$47,025	\$48,940	\$49,831	\$51,640
Tennessee	\$39,549	\$40,977	\$42,810	\$43,932	\$45,517
<b>Sequatchie County</b>	<b>\$32,284</b>	<b>\$33,082</b>	<b>\$34,536</b>	<b>\$35,503</b>	<b>\$36,691</b>
Index vs. National	72	70	71	71	71
Index vs. State	82	81	81	81	81
<b>Chattanooga, TN-GA MSA</b>	<b>\$39,038</b>	<b>\$40,272</b>	<b>\$42,158</b>	<b>\$43,003</b>	<b>\$44,528</b>
Index vs. National	87	86	86	86	86
Index vs. State	99	98	98	98	98
<b>Chattanooga-Cleveland-Athens CSA</b>	<b>\$35,786</b>	<b>\$37,079</b>	<b>\$38,802</b>	<b>\$39,536</b>	<b>\$40,942</b>
Index vs. National	80	79	79	79	79
Index vs. State	90	90	91	90	90

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

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Sequatchie County</u>	<u>Dunlap</u>
Median Value Owner Occupied Housing	\$193,500	\$151,700	\$138,100	\$130,400
% High School Graduates or Higher Persons 25 Years Old and Older	87.30%	86.50%	83.1%	74.8%
% Persons with Income Below Poverty Level	12.30%	15.00%	16.7%	14.0%
Median Household Income	\$57,652	\$48,708	\$51,312	\$48,208

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

## TOURISM

*Cumberland Trail State Park.* The Cumberland Trail is the state's only linear park. It opened in 1998 and upon completion will be 300 miles long, cutting through 11 Tennessee counties from the Cumberland Gap National Historic Park on the Tennessee-Virginia-Kentucky border, to the Signal Point near Chattanooga. Currently about 65 percent of the Trail is open and ready for exploration. In 2017, a private landowner donated a 1,034-acre, \$8.27 million parcel

that gives access to Soak Creek (that seasonally includes Class III and IV rapids) and adds 5 miles to the trail. The trail is divided into 15 segments. It can be accessed in Sequatchie County through North Chickamauga Creek Pocket Wilderness Area. The Cumberland Trail wanders among the remnants of the Cumberland Mountains that once rose as high as the Rockies. The trail represented a barrier to all who dared push through storied gaps westward onto and over the Cumberland Plateau. It now provides a linkage north to south, forming natural connections and opportunities for scenic vistas and curious geological formations.

*Source:* Tennessee State Parks.

*North Chickamauga Creek Pocket Wilderness Area.* North Chickamauga Creek is a 7,093-acre natural area located in Hamilton and Sequatchie Counties. It is an outstanding deep gorge cut into the sandstone plateau of Walden's Ridge on the Cumberland Plateau. The gorge is approximately ten miles long with steep slopes, sandstone bluffs, and rich coves. A high diversity of plant and animal habitat exists in the gorge including several federally threatened or endangered plants. The area is a popular spot for kayaking and hiking. The Cumberland Trail State Park, the state's only linear park, can be accessed from North Chickamauga Creek.

*Source:* Tennessee Division of Natural Areas.

## **RECENT DEVELOPMENTS**

*Hubner Manufacturing Corp.* The Hubner Manufacturing Corp. announced in 2019 that they establish a new manufacturing facility in Dunlap, investing \$9.6 million and creating 66 new jobs over the next five years. Hubner, a subsidiary of Germany-based Hubner Group, will build a 36,000-square-foot building in the Dunlap Industrial Park. Construction of the new facility will begin in the second quarter of 2019. Hubner will produce extruded and molded rubber parts, gaskets, and seals for the transportation, oil and gas, and aerospace industries. Window systems, handicap lifts & ramps, and possibly gangways systems are under consideration for a later phase.

*Volkswagen.* In 2019, at the nearby Chattanooga facility, the German automaker announced an \$800 million project to build the company's first electric vehicle facility in North America, resulting in 1,000 additional job. It is expected that the first electric vehicle would be produced in Chattanooga in 2022. Volkswagen expects to sell 150,000 electric vehicles by 2020 and 1 million by 2025. In addition to Chattanooga, the company is also building an electric vehicle facility in Germany and China. As of early 2019, Volkswagen employs 3,500 people in Chattanooga and will have invested \$2.3 billion in the facility by the end of 2019.

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

*Source:* Chattanooga Times Free Press.

**CITY OF DUNLAP, TENNESSEE**  
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE	DUE DATE	INTEREST RATE(S)	OUTSTANDING (1) As of 6/30/2018
\$40,769 General Obligation Landfill Closure Note	(2) 2032	0%	\$ 33,572
\$1,214,018 General Obligation TMBF Loan, Series 2002	(2) 5/25/2019	Variable	121,018
\$770,000 Water and Sewer System Revenue and Tax Refunding Bonds, Series 2007B	(3) 2019	Fixed	80,000
\$490,644 Water and Sewer Revenue and Tax Bonds, Series 2009	(3) 2047	Fixed	464,348
\$5,055,000 General Obligation Refunding Bonds, Series 2014	(3) 6/1/2039	Fixed	4,390,000
\$3,200,000 General Obligation Bonds, Series 2017	(4) 3/1/2039	Fixed	3,040,000
\$1,450,000 General Obligation Bonds, Series 2017B	(5) 3/1/2036	Fixed	1,450,000
\$1,525,000 General Obligation Bonds, Series 2017C (Federally Taxable)	(6) 3/1/2036	Fixed	1,525,000
<b>TOTAL BONDED DEBT</b>			<b>\$11,103,938</b>
\$3,000,000 General Obligation Bonds, Series 2019			\$ 3,000,000
Less: Revenue Supported Debt			<u>(7,539,348)</u>
<b>NET BONDED DEBT</b>			<b>\$ 6,564,590</b>

**NOTES:**

- (1) The above figures do not include short-term notes or leases outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) Debt supported by the revenues of the City's governmental funds
- (3) Debt supported by the revenues of the City's Water & Sewer System.
- (4) \$1,190,000 Debt supported by the revenues of the City's Gas System.
- (5) \$510,000 Debt supported by the revenues of the City's Water and Sewer System.
- (6) \$905,000 Debt supported by the revenues of the City's Water and Sewer System.

**CITY OF DUNLAP, TENNESSEE**  
Indebtedness and Debt Ratios

**INTRODUCTION**

The indebtedness 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. Property tax information is derived the City. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Year Ended June 30					After Issuance 2019
	2014	2015	2016	2017	2018	
<b>INDEBTEDNESS</b>						
<b>TAX SUPPORTED</b>						
General Obligation Bonds & Notes	\$888,731	\$698,872	\$502,473	\$2,176,989	\$3,564,590	\$6,564,590
<b>TOTAL TAX SUPPORTED</b>	<u>888,731</u>	<u>698,872</u>	<u>502,473</u>	<u>2,176,989</u>	<u>3,564,590</u>	<u>6,564,590</u>
<b>REVENUE SUPPORTED</b>						
Water & Sewer System	6,136,008	5,801,309	5,450,859	5,183,421	6,349,348	6,349,348
Gas System	1,815,000	1,738,000	1,593,000	1,350,000	1,190,000	1,190,000
<b>TOTAL REVENUE SUPPORTED</b>	<u>7,951,008</u>	<u>7,539,309</u>	<u>7,043,859</u>	<u>6,533,421</u>	<u>7,539,348</u>	<u>7,539,348</u>
<b>TOTAL DEBT</b>	\$8,839,739	\$8,238,181	\$7,546,332	\$8,710,410	\$11,103,938	\$14,103,938
Less: Revenue Supported Debt	<u>(7,951,008)</u>	<u>(7,539,309)</u>	<u>(7,043,859)</u>	<u>(6,533,421)</u>	<u>(7,539,348)</u>	<u>(7,539,348)</u>
<b>NET DIRECT DEBT</b>	\$888,731	\$698,872	\$502,473	\$2,176,989	\$3,564,590	\$6,564,590
<b>OVERLAPPING DEBT (1)</b>	<u>1,373,085</u>	<u>1,346,401</u>	<u>1,306,104</u>	<u>1,333,792</u>	<u>1,222,941</u>	<u>1,222,941</u>
<b>NET DIRECT &amp; OVERLAPPING DEBT</b>	<u>\$2,261,816</u>	<u>\$2,045,273</u>	<u>\$1,808,577</u>	<u>\$3,510,781</u>	<u>\$4,787,531</u>	<u>\$7,787,531</u>
<b>PROPERTY TAX BASE</b>						
Estimated Actual Value	\$ 283,531,074	\$ 285,618,593	\$ 296,530,924	\$ 294,803,245	\$ 295,762,863	\$ 295,762,863
Appraised Value	\$ 283,531,074	\$ 278,763,747	\$ 289,414,182	\$ 288,111,211	\$ 295,762,863	\$ 295,762,863
Assessed Value	\$ 86,945,123	\$ 85,881,590	\$ 88,865,840	\$ 88,373,322	\$ 91,121,765	\$ 91,121,765

(1) OVERLAPPING DEBT includes the City's share of Sequatchie County's debt.



DEBT RATIOS	For Fiscal Year Ended June 30					After Issuance
	2014	2015	2016	2017	2018	
TOTAL DEBT to Estimated Actual Value	3.12%	2.88%	2.54%	2.95%	3.75%	4.77%
TOTAL DEBT to Appraised Value	3.12%	2.96%	2.61%	3.02%	3.75%	4.77%
TOTAL DEBT to Assessed Value	10.17%	9.59%	8.49%	9.86%	12.19%	15.48%
NET DIRECT DEBT to Estimated Actual Value	0.31%	0.24%	0.17%	0.74%	1.21%	2.22%
NET DIRECT DEBT to Appraised Value	0.31%	0.25%	0.17%	0.76%	1.21%	2.22%
NET DIRECT DEBT to Assessed Value	1.02%	0.81%	0.57%	2.46%	3.91%	7.20%
OVERLAPPING DEBT to Estimated Actual Value	0.48%	0.47%	0.44%	0.45%	0.41%	0.41%
OVERLAPPING DEBT to Appraised value	0.48%	0.48%	0.45%	0.46%	0.41%	0.41%
OVERLAPPING DEBT to Assessed Value	1.58%	1.57%	1.47%	1.51%	1.34%	1.34%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	0.80%	0.72%	0.61%	1.19%	1.62%	2.63%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	0.80%	0.73%	0.62%	1.22%	1.62%	2.63%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	2.60%	2.38%	2.04%	3.97%	5.25%	8.55%
<b>PER CAPITA RATIOS</b>						
POPULATION (1)	5,053	5,108	5,108	5,077	5,077	5,077
PER CAPITA PERSONAL INCOME	\$32,424	\$33,653	\$33,653	\$33,653	\$33,653	\$33,653
Estimated Actual Value to POPULATION	56,111	55,916	58,052	58,066	58,255	58,255
Assessed Value to POPULATION	17,207	16,813	17,397	17,407	17,948	17,948
Total Debt to POPULATION	1,749	1,613	1,477	1,716	2,187	2,778
Net Direct Debt to POPULATION	176	137	98	429	702	1,293
Overlapping Debt to POPULATION	272	264	256	263	241	241
Net Direct & Overlapping Debt to POPULATION	448	400	354	692	943	1,534
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.40%	4.79%	4.39%	5.10%	6.50%	8.25%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.54%	0.41%	0.29%	1.27%	2.09%	3.84%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	0.84%	0.78%	0.76%	0.78%	0.72%	0.72%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	1.38%	1.19%	1.05%	2.05%	2.80%	4.56%

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

**CITY OF DUNLAP, TENNESSEE**  
Bonded Debt Service Requirements - General Obligation

F.Y. Ended 6/30	Existing Debt General Obligation (1)		General Obligation Bonds, Series 2019		% 2019 Principal Repaid	Total Bonded Debt Service Requirements (1)		% All Principal Repaid	
	Principal	Interest	Principal	Interest(2)		Principal	Interest		Principal
2019	\$ 123,417	\$ 106,586	\$ -	\$ -	0.00%	\$ 123,417	\$ 106,586	\$ 230,003	1.88%
2020	147,399	103,258	75,000	118,667		222,399	221,924	444,323	
2021	147,399	98,358	75,000	117,000		222,399	215,358	437,757	
2022	157,399	93,458	80,000	114,000		237,399	207,458	444,857	
2023	157,399	88,258	80,000	110,800	10.33%	237,399	199,058	436,457	15.89%
2024	162,399	83,058	85,000	107,600		247,399	190,658	438,057	
2025	167,399	79,663	90,000	104,200		257,399	183,863	441,262	
2026	167,399	76,083	90,000	100,600		257,399	176,683	434,082	
2027	177,399	72,168	95,000	97,000		272,399	169,168	441,567	
2028	177,399	67,999	100,000	93,200	25.67%	277,399	161,199	438,598	35.87%
2029	182,399	63,264	100,000	89,200		282,399	152,464	434,863	
2030	187,399	57,794	105,000	85,200		292,399	142,994	435,393	
2031	197,399	52,144	110,000	81,000		307,399	133,144	440,543	
2032	202,385	45,956	115,000	76,600		317,385	122,556	439,941	
2033	200,000	39,606	120,000	72,000	44.00%	320,000	111,606	431,606	59.02%
2034	215,000	33,206	125,000	67,200		340,000	100,406	440,406	
2035	215,000	26,325	130,000	62,200		345,000	88,525	433,525	
2036	225,000	19,388	135,000	57,000		360,000	76,388	436,388	
2037	115,000	12,138	140,000	51,600		255,000	63,738	318,738	
2038	120,000	8,400	145,000	46,000	66.50%	265,000	54,400	319,400	82.86%
2039	120,000	4,200	150,000	40,200		270,000	44,400	314,400	
2040	-	-	160,000	34,200		160,000	34,200	194,200	
2041	-	-	165,000	27,800		165,000	27,800	192,800	
2042	-	-	170,000	21,200		170,000	21,200	191,200	
2043	-	-	175,000	14,400	93.83%	175,000	14,400	189,400	97.18%
2044	-	-	185,000	7,400	100.00%	185,000	7,400	192,400	100.00%
	<b>\$ 3,564,590</b>	<b>\$ 1,231,305</b>	<b>\$ 3,000,000</b>	<b>\$ 1,796,267</b>		<b>\$ 6,564,590</b>	<b>\$ 3,027,571</b>	<b>\$ 9,592,161</b>	

(1) The above figures do not include short-term notes or leases outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Estimated Interest Rates. Estimated Average Coupon of 4.00%.

**CITY OF DUNLAP, TENNESSEE**  
 Bonded Debt Service Requirements - Revenue and Tax Backed  
 Water And Sewer System

F.Y. Ended <u>6/30</u>	<b>Total Bonded Debt Service Requirements</b>			<b>% All Principal Repaid</b>
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2019	\$ 254,396	\$ 211,633	\$ 466,029	4.01%
2020	234,730	204,925	439,655	
2021	245,076	198,872	443,948	
2022	255,435	192,594	448,029	
2023	260,806	185,991	446,797	19.69%
2024	266,190	179,263	445,453	
2025	276,588	171,679	448,267	
2026	287,000	163,723	450,723	
2027	292,427	154,916	447,343	
2028	302,869	145,881	448,750	42.14%
2029	313,327	135,950	449,277	
2030	318,801	125,299	444,100	
2031	334,292	113,878	448,170	
2032	344,800	101,903	446,703	
2033	355,326	89,573	444,899	68.39%
2034	340,871	76,774	417,645	
2035	351,436	63,974	415,410	
2036	362,020	50,674	412,694	
2037	272,626	36,954	309,580	
2038	283,253	26,137	309,390	93.75%
2039	218,902	14,898	233,800	
2040	19,574	6,236	25,810	
2041	20,270	5,551	25,821	
2042	20,991	4,842	25,833	
2043	21,738	4,107	25,845	98.49%
2044	22,511	3,346	25,857	
2045	23,312	2,558	25,870	
2046	24,141	1,742	25,883	
2047	25,640	897	26,537	100.00%
	<b>\$ 6,349,348</b>	<b>\$ 2,674,770</b>	<b>\$ 9,024,118</b>	

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

**CITY OF DUNLAP, TENNESSEE**  
 Bonded Debt Service Requirements - Revenue and Tax Backed  
 Gas System

F.Y. Ended 6/30	Total Bonded Debt Service Requirements			% All Principal Repaid
	Principal	Interest	TOTAL	
2019	\$ 150,000	\$ 40,300	\$ 190,300	12.61%
2020	155,000	34,300	189,300	25.63%
2021	160,000	28,100	188,100	39.08%
2022	180,000	21,700	201,700	54.20%
2023	180,000	14,500	194,500	69.33%
2024	180,000	7,300	187,300	84.45%
2025	185,000	3,700	188,700	100.00%
	<u>\$ 1,190,000</u>	<u>\$ 149,900</u>	<u>\$ 1,339,900</u>	

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

## FINANCIAL INFORMATION

### BUDGET PROCESS

The City follows these procedures in establishing the budgetary data reflected in the financial statements. During April and May, budget requests from departments are submitted to the City Board of Commissioners at its regularly scheduled meetings. Budget items submitted are discussed at these regularly scheduled meetings and in special work session meetings in June. Subsequently the budget is enacted through vote of the Commissioners, with an operative date of July 1.

Formal budgets are adopted for the General Fund, Special Revenue, and Debt Service Funds on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. These formal budgets are adopted on a departmental basis. The Mayor is authorized to transfer budgeted amounts between departments within any fund. However, any revision that alters the total expenditures of any fund must be approved by the Board of Commissioners.

Budgeted amounts reflected in the accompanying final and actual comparison are as originally adopted in accordance with GAAP, or as amended by the Commissioners throughout the year. Individual amendments are not material in relation to the original appropriations, which were amended. All appropriations which are not expended lapse at year-end.

### FUND BALANCES AND RETAINED EARNINGS

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

	<u>For the Fiscal Year Ended June 30,</u>				
<u>Fund Type</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Governmental Funds:</i>					
General	\$ 957,923	\$856,307	\$ 948,160	\$2,741,610	\$2,704,712
Other Governmental	<u>92,961</u>	<u>91,653</u>	<u>63,886</u>	<u>41,681</u>	<u>45,337</u>
<b>Total</b>	<b><u>\$1,050,884</u></b>	<b><u>\$947,960</u></b>	<b><u>\$1,012,046</u></b>	<b><u>\$2,783,291</u></b>	<b><u>\$2,750,049</u></b>
<i>Proprietary Funds:</i>					
Water and Sewer	\$7,775,526	\$7,476,086	\$7,195,120	\$6,947,897	\$6,813,821
Natural Gas	<u>1,105,982</u>	<u>1,022,266</u>	<u>807,603</u>	<u>602,863</u>	<u>878,784</u>
<b>Total</b>	<b><u>\$8,881,508</u></b>	<b><u>\$8,498,352</u></b>	<b><u>\$8,002,723</u></b>	<b><u>\$7,550,760</u></b>	<b><u>\$7,692,605</u></b>

*Source:* Comprehensive Annual Financial Reports and Auditors Reports for the City of Dunlap, Tennessee.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Revenues:</b>					
Taxes	\$ 1,563,589	\$ 1,659,488	\$ 2,130,862	\$ 2,280,922	\$ 2,339,729
Licenses, Permits, Fines	3,525	2,825	1,940	4,930	4,319
Intergovernmental Rev.	1,067,413	1,125,859	1,131,350	1,037,842	968,657
Charges for Services	370,299	382,066	41,444	55,993	43,018
Fines, Forfeits and Penalties	94,392	66,144	74,125	68,298	76,141
Other Revenue	34,242	64,516	70,333	84,338	72,604
<b>Total Revenues</b>	<u>\$ 3,133,460</u>	<u>\$ 3,300,898</u>	<u>\$ 3,450,054</u>	<u>\$ 3,532,323</u>	<u>\$ 3,504,468</u>
<b>Expenditures:</b>					
General Government	\$ 810,186	\$ 877,699	\$ 959,385	\$ 1,022,287	\$ 1,521,362
Public Safety	882,147	872,055	953,641	994,373	1,089,146
Public Works	695,454	761,924	597,636	457,663	580,312
Welfare & Recreation	81,299	375,198	174,171	138,158	203,348
State Stree Aid	117,261	160,258	148,944	323,695	68,189
Capital Outlay	409,461	149,896	295,909	474,689	1,360,370
Debt Service	-	15,484	-	-	-
<b>Total Expenditures</b>	<u>\$ 2,995,808</u>	<u>\$ 3,212,514</u>	<u>\$ 3,129,686</u>	<u>\$ 3,410,865</u>	<u>\$ 4,822,727</u>
Excess of Revenues Over (Under) Expenditures	\$ 137,652	\$ 88,384	\$ 320,368	\$ 121,458	\$ (1,318,259)
<b>Other Financing Sources (Uses):</b>					
Loan Proceeds	\$ -	\$ -	\$ -	\$ 1,866,704	\$ 1,559,914
Transfers In	-	-	-	-	-
Transfers Out	(160,000)	(190,000)	(228,515)	(194,712)	(278,553)
<b>Total</b>	<u>\$ (160,000)</u>	<u>\$ (190,000)</u>	<u>\$ (228,515)</u>	<u>\$ 1,671,992</u>	<u>\$ 1,281,361</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ (22,348)	\$ (101,616)	\$ 91,853	\$ 1,793,450	\$ (36,898)
<b>Fund Balance July 1</b>	980,271	957,923	856,307	948,160	2,741,610
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30</b>	<u><u>\$ 957,923</u></u>	<u><u>\$ 856,307</u></u>	<u><u>\$ 948,160</u></u>	<u><u>\$ 2,741,610</u></u>	<u><u>\$ 2,704,712</u></u>

Source: Comprehensive Annual Financial Report for City of Dunlap, Tennessee.

## **BASIS OF ACCOUNTING AND PRESENTATION**

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

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The reserve method is used to estimate the allowance for doubtful accounts for electric, water and sewer service receivables.

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

The City is authorized by State Statutes to invest in bonds, notes or treasury bills of the United States, nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association, any obligation guaranteed by the United States or any of its agencies and certificates of deposit at state and federal chartered banks and savings and loan associations and the Local Government Investment Pool created by Title 9.

The City does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool.

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

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

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

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

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain

telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;

- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

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

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

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

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

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

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed



by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

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

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

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

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

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

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

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or

affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Assessed Valuations.* According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 0.9773. The City is on a six-year appraisal cycle. The following table shows pertinent data for tax year 2017<sup>1</sup>.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Value</u>
Public Utilities	\$ 5,593,334	55%	\$ 12,814,053
Commercial and Industrial	35,989,390	40%	90,004,300
Personal Tangible Property	7,817,391	30%	26,057,910
Residential and Farm	<u>41,721,650</u>	25%	<u>166,886,600</u>
<b>Total</b>	<b><u>\$91,121,765</u></b>		<b><u>\$295,762,863</u></b>

<sup>1</sup> The tax year coincides with the calendar year, so tax year 2017 is actually fiscal year 2017 -2018.  
*Source:* 2017 Tax Aggregate for Tennessee.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2018 (tax year 2017) is \$91,121,765 compared to \$88,373,322 for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is \$295,762,863 compared to \$294,803,245 for tax year 2016.

*[balance of page left blank]*

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

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year <sup>2</sup>	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2018 Amount	Pct
2014	\$85,811,590	\$0.762	\$652,788	\$600,388	92.0%	\$ 8,031	1.2%
2015	88,865,840	0.762	675,794	622,767	92.2%	16,709	2.5%
2016	88,373,322	0.762	671,092	622,348	92.7%	26,790	4.0%
2017	91,121,765	0.752	685,841	632,669	92.2%	53,172	7.8%
2018	97,095,212*	0.789	730,156	642,345 <sup>3</sup>	In Progress		

\* Estimated

<sup>2</sup> The tax year coincides with the calendar year, so tax year 2018 is actually fiscal year 2018 -2019.

<sup>3</sup> As of April 23, 2019

*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2018 (tax year 2017), the ten largest taxpayers in the City are as follows:

<u>Taxpayer</u>	<u>Business</u>	<u>Assessment</u>	<u>Taxes</u>	<u>% of Taxes Paid</u>
1. Sequatchie Electric Cooperative	Utility	\$4,202,288	\$33,156	4.54%
2. Wal-Mart	Retail	2,556,280	20,169	2.76%
3. Ford Motor Co. – Tool & Die	Manufacturing	2,021,468	15,949	2.18%
4. National Health Investors	Healthcare	1,426,560	11,256	1.54%
5. Citizen’s Tri-County Bank	Financial Services	1,246,160	9,831	1.35%
6. Mann & Hummell	Manufacturing	1,076,299	8,492	1.16%
7. Unipower	Manufacturing	1,001,416	7,901	1.08%
8. Raymond Farley	Residential	999,645	7,886	1.08%
9. On Line Inc.	Manufacturing	860,240	6,787	0.93%
10. Wal Mart Properties	Retail	<u>767,120</u>	<u>6,053</u>	<u>0.83%</u>
<b>TOTAL</b>		<b><u>\$16,157,476</u></b>	<b><u>\$127,480</u></b>	<b><u>17.46%</u></b>
	<b>TOTAL OVERALL</b>	<b><u>\$97,095,212</u></b>	<b><u>\$730,156</u></b>	

Source: The County.

## **PENSION PLANS**

Employees of the City 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 became disabled and cannot engage in gainful employment. There is no service requirement for disability that is a 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 statutes found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Municipality participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

## **OTHER POST EMPLOYMENT BENEFITS (“OPEB”)**

The City offers no other post-employment benefits.

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**APPENDIX C**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**OF**

**CITY OF DUNLAP, TENNESSEE**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2018**

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





**CITY OF DUNLAP, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2018**

**JOHNSON, MURPHEY & WRIGHT, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**CHATTANOOGA, TENNESSEE**

## I. INTRODUCTORY SECTION

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**CITY OF DUNLAP, TENNESSEE**  
**City Officials**  
**June 30, 2018**

Mayor ..... George Dwain Land

Commissioner/Vice Mayor ..... Judy Layne

Commissioner.....Jeff Harmon

Commissioner..... Allen Jones

City Judge.....Keith Davis

City Recorder/Treasurer .....Norman D. Hatfield, CMFO

## **II. FINANCIAL SECTION**



Certified Public  
Accountants

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37405

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of Certified  
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Jennifer Waycaster, CPA

## INDEPENDENT AUDITOR'S REPORT

Mayor and Commissioners  
City of Dunlap, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dunlap, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Mayor and Commissioners  
City of Dunlap, Tennessee

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dunlap, Tennessee, as of June 30, 2018, and, the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year 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, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of the TCRS and Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the TCRS listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dunlap, Tennessee's basic financial statements. The Introductory Section, non-major governmental fund financial statements, and financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major governmental fund financial statements and financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major governmental fund financial statements and financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Mayor and Commissioners  
City of Dunlap, Tennessee

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the City of Dunlap, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dunlap, Tennessee's internal control over financial reporting and compliance.

*Johnson, Murpley & Wright, P.C.*

Chattanooga, Tennessee  
January 25, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Dunlap, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Dunlap, Tennessee for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the City of Dunlap, Tennessee exceeded its liabilities and deferred inflows at June 30, 2018, by \$11,187,403 (net position). Of this amount, \$4,370,376 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's governmental activities operated at a deficit of \$(332,460) and business-type activities operated at a surplus of \$141,845.

The City received grant funds in the amount of \$98,063 to be used for various projects.

As of the close of the current fiscal year, the City of Dunlap, Tennessee's governmental funds reported combined ending fund balances of \$2,750,049.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,506,583, or 51.97%, of total General Fund expenditures, excluding transfers.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the City of Dunlap, Tennessee's basic financial statements. The City of Dunlap, Tennessee's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City of Dunlap, Tennessee's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City of Dunlap, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Dunlap, Tennessee include general government, public safety, public works, state street aid, and public welfare and recreation. The business-type activities of the City of Dunlap, Tennessee include the Water and Sewer Fund and the Natural Gas Fund.

The government-wide financial statements can be found on pages 15 and 16 of this report.

### **Fund Financial Statements**

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

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City of Dunlap, Tennessee maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Solid Waste Fund, which are considered to be major funds. Individual fund data for each of the two non-major governmental funds is provided in the form of combining statements later in this report beginning on page 61.

The City of Dunlap, Tennessee adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget, as well as for the non-major funds.

The basic governmental fund financial statements can be found on pages 17 through 26 of this report.

### **Proprietary Funds**

The City of Dunlap, Tennessee maintains one type of proprietary fund: Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Dunlap, Tennessee uses enterprise funds to account for its water and sewer and natural gas operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund and Natural Gas Fund, both of which are considered to be major funds of the City of Dunlap, Tennessee.

The basic proprietary fund financial statements can be found on pages 27 through 29 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 30 through 56 of this report.

**Other Information**

The statements referred to earlier in connection with non-major governmental funds, are presented immediately following the Notes to the Financial Statements and RSI. Combining and individual fund statements and schedules can be found on pages 61 through 65 of this report.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Dunlap, Tennessee, assets and deferred outflows exceeded liabilities and deferred inflows by \$11,187,403 at the close of this fiscal year.

The largest portion of the City of Dunlap, Tennessee’s net position (58.76%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any debt used to acquire those assets that is still outstanding. The City of Dunlap, Tennessee uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Dunlap, Tennessee’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 2.18%, or \$243,466, of the City of Dunlap, Tennessee’s net position represents resources that are subject to external restrictions on how they may be used. 39.06%, or \$4,370,376, in net position may be used to meet the government’s ongoing obligations to its citizens and creditors.

At June 30, 2018, the City of Dunlap, Tennessee is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The table below provides a summary of the City’s net assets broken down by governmental and business-type activities.

**City of Dunlap, Tennessee’s Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Capital assets	\$ 4,479,098	\$ 3,484,439	\$ 13,261,436	\$ 13,048,634	\$ 17,740,534	\$ 16,533,073
Other assets	4,016,111	3,993,243	2,977,035	2,224,703	6,993,146	6,217,946
Total assets	<u>\$ 8,495,209</u>	<u>\$ 7,477,682</u>	<u>\$ 16,238,471</u>	<u>\$ 15,273,337</u>	<u>\$ 24,733,680</u>	<u>\$ 22,751,019</u>
Deferred outflows of resources	<u>\$ 339,400</u>	<u>\$ 311,131</u>	<u>\$ 277,691</u>	<u>\$ 254,561</u>	<u>\$ 617,091</u>	<u>\$ 565,692</u>
Long-term liabilities	\$ 3,966,791	\$ 2,585,306	\$ 7,847,531	\$ 6,857,359	\$ 11,814,322	\$ 9,442,665
Other liabilities	610,016	655,693	949,147	1,091,372	1,559,163	1,747,065
Total liabilities	<u>\$ 4,576,807</u>	<u>\$ 3,240,999</u>	<u>\$ 8,796,678</u>	<u>\$ 7,948,731</u>	<u>\$ 13,373,485</u>	<u>\$ 11,189,730</u>
Deferred inflows of resources	<u>\$ 763,004</u>	<u>\$ 720,556</u>	<u>\$ 26,879</u>	<u>\$ 28,407</u>	<u>\$ 789,883</u>	<u>\$ 748,963</u>
Net investment in capital assets	\$ 914,594	\$ 1,307,450	\$ 5,658,967	\$ 6,452,190	\$ 6,573,561	\$ 7,759,640
Restricted	243,466	146,532	-	-	243,466	146,532
Unrestricted	2,336,738	2,373,276	2,033,638	1,098,570	4,370,376	3,471,846
Total net position	<u>\$ 3,494,798</u>	<u>\$ 3,827,258</u>	<u>\$ 7,692,605</u>	<u>\$ 7,550,760</u>	<u>\$ 11,187,403</u>	<u>\$ 11,378,018</u>

### Changes in Net Position

Governmental activities decreased the City of Dunlap, Tennessee's net position by \$(332,460). Business-type activities' net position increased by \$141,845.

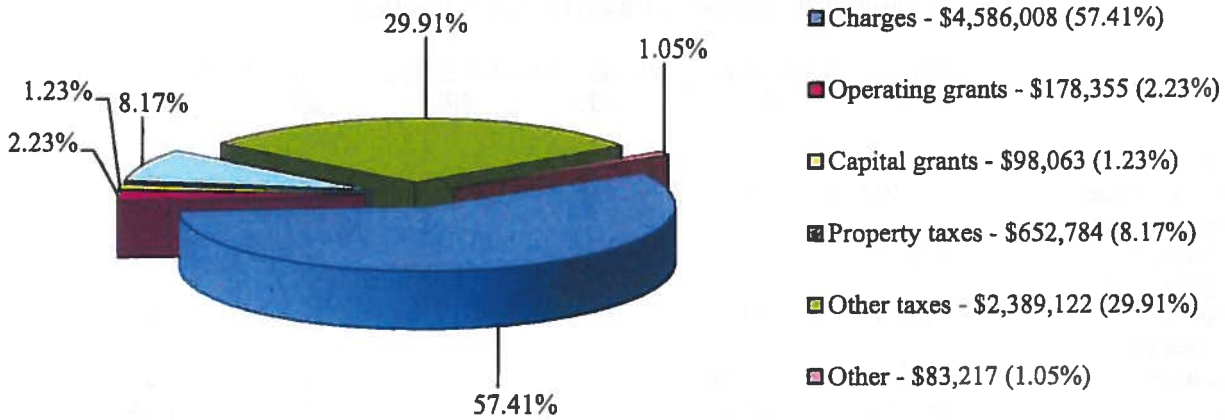
The table below provides a summary of the City's net position broken down by governmental and business-type activities.

#### City of Dunlap, Tennessee's Changes in Net Position

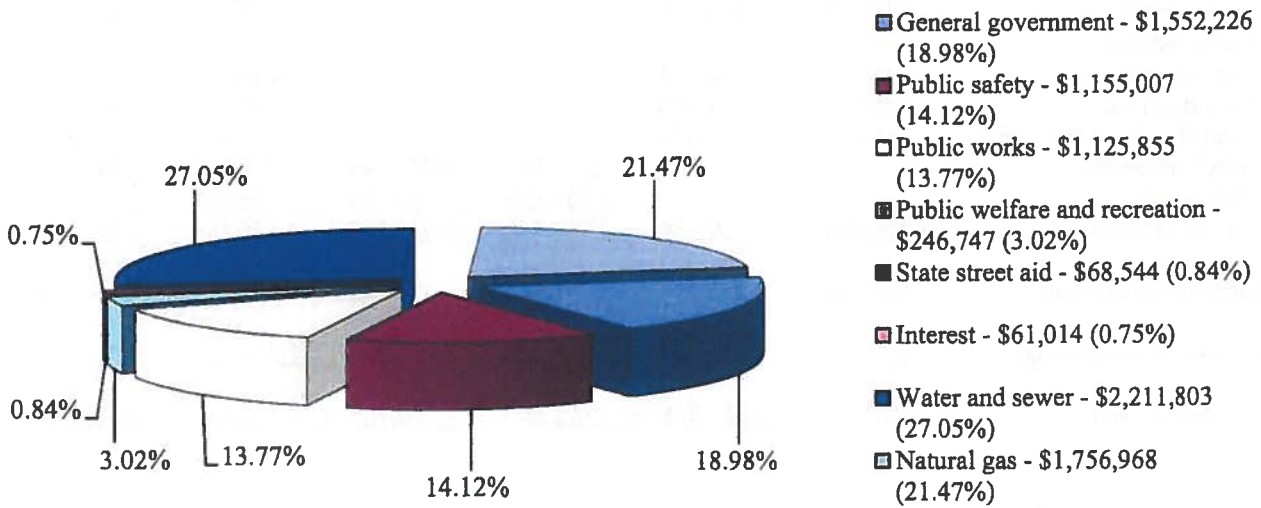
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 481,109	\$ 498,223	\$ 4,104,899	\$ 3,442,149	\$ 4,586,008	\$ 3,940,372
Operating grants and contributions	178,355	149,674	-	15,000	178,355	164,674
Capital grants and contributions	98,063	158,133	-	-	98,063	158,133
<b>General revenues:</b>						
Property taxes	652,784	637,353	-	-	652,784	637,353
Other taxes	2,389,122	2,366,409	-	-	2,389,122	2,366,409
Other	77,500	105,109	5,717	38,005	83,217	143,114
<b>Total revenues</b>	<b>3,876,933</b>	<b>3,914,901</b>	<b>4,110,616</b>	<b>3,495,154</b>	<b>7,987,549</b>	<b>7,410,055</b>
<b>Expenses:</b>						
General government	1,552,226	1,075,515	-	-	1,552,226	1,075,515
Public safety	1,155,007	1,057,013	-	-	1,155,007	1,057,013
Public works	1,125,855	885,455	-	-	1,125,855	885,455
Public welfare and recreation	246,747	184,334	-	-	246,747	184,334
State street aid	68,544	323,695	-	-	68,544	323,695
Interest on long-term debt	61,014	3,672	-	-	61,014	3,672
Water and sewer	-	-	2,211,803	2,242,944	2,211,803	2,242,944
Natural gas	-	-	1,756,968	1,704,173	1,756,968	1,704,173
<b>Total expenses</b>	<b>4,209,393</b>	<b>3,529,684</b>	<b>3,968,771</b>	<b>3,947,117</b>	<b>8,178,164</b>	<b>7,476,801</b>
Change in net position	( 332,460)	385,217	141,845	( 451,963)	( 190,615)	( 66,746)
Net position - beginning	3,827,258	3,442,041	7,550,760	8,002,723	11,378,018	11,444,764
Net position - end	\$ 3,494,798	\$ 3,827,258	\$ 7,692,605	\$ 7,550,760	\$ 11,187,403	\$ 11,378,018

The graphs below summarize the \$7,987,549 of city-wide revenue by source and the associated \$8,178,164 of expense by program. The graphs combine data from both governmental and business-type activities.

### City-Wide Sources of Revenue



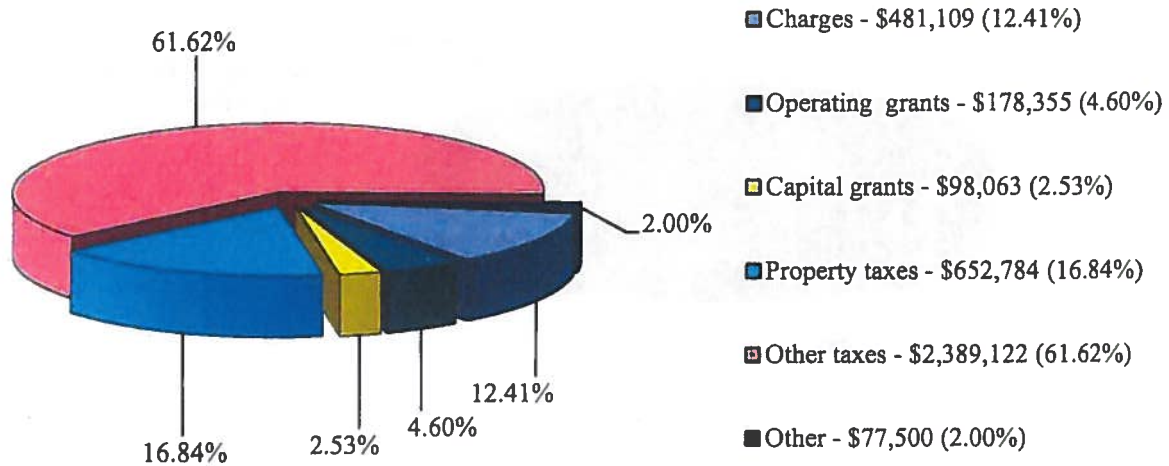
### City-Wide Program Expenses



**Governmental Activities**

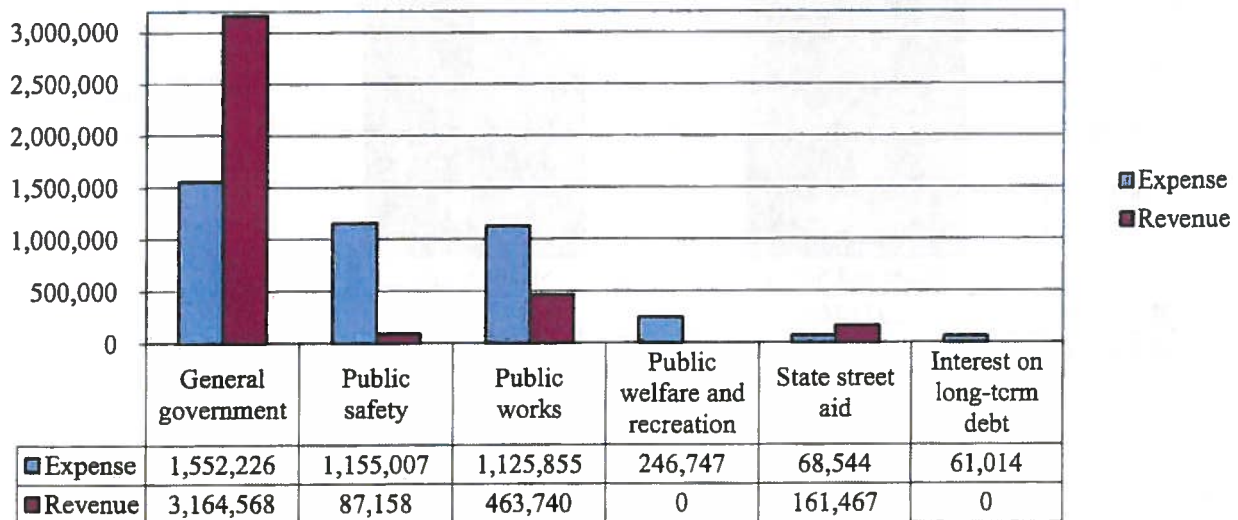
Governmental activities accounted for revenues of \$3,876,933. The following graph summarizes revenue by source.

**Revenue by Source -  
Governmental Activities**



The following graph summarizes the revenue and related expense for each government program of the City. The difference between expense and revenue is the financial burden placed on the City for each program.

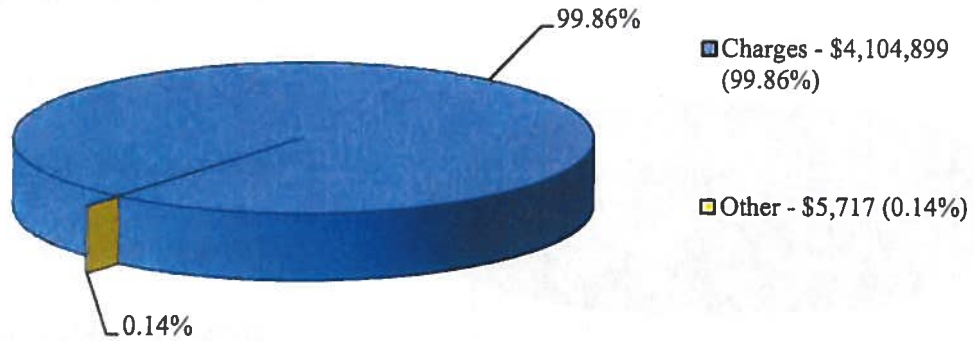
**Expenses and Program Revenues -  
Governmental Activities**



**Business-type Activities**

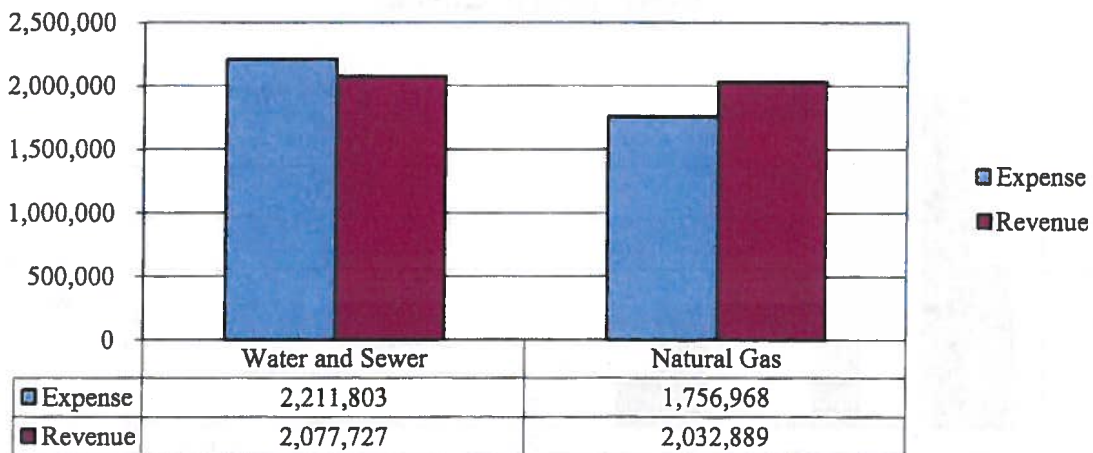
Business-type activities account for revenues of \$4,110,616. The following graph summarizes the revenue by source.

**Revenue by Source -  
Business-Type Activities**



The following graph summarizes the revenue and related expense of operating the water and sewer and natural gas systems.

**Expenses and Revenues - Business-type Activities**





## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Dunlap, Tennessee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City of Dunlap, Tennessee's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Dunlap, Tennessee's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Dunlap, Tennessee's governmental funds reported combined ending fund balances of \$2,750,049. Within the governmental funds, \$9,597 is restricted for drug fund expenditures, \$35,740 is restricted for debt service and \$198,129 is restricted for state street aid expenditures.

The General Fund is the chief operating fund of the City of Dunlap, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,506,583. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 51.97 % of total fund expenditures, excluding transfers.

### Proprietary Funds

The City of Dunlap, Tennessee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to \$1,318,364 for the Water and Sewer Fund, and \$715,274 for the Natural Gas Fund.

### General Fund Budgetary Highlights

No budget amendments were considered necessary.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City of Dunlap, Tennessee's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$17,740,534 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles, infrastructure, landfill and lines and extensions.

Major capital asset events during the current fiscal year include the following:

Construction in process	\$ 1,818,031
2018 Chevy Tahoe	\$ 53,754
River access point	\$ 50,000
2018 Chevy Silverado	\$ 45,524
Excavator	\$ 41,500

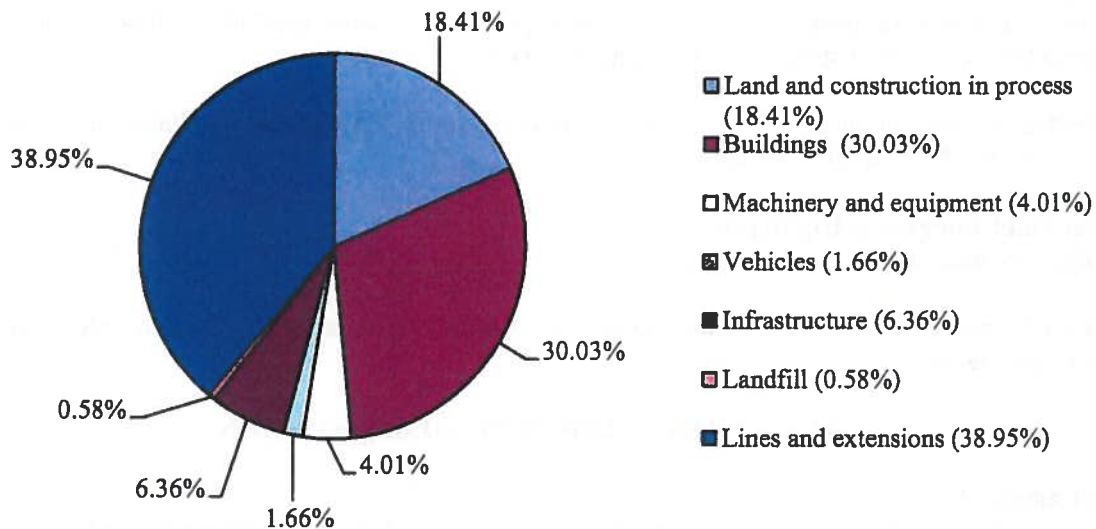
The table below summarizes the City's investment in capital assets and is broken down by governmental and business-type activities.

**City of Dunlap, Tennessee's Capital Assets  
(Net of Depreciation)**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land and construction in process	\$ 1,868,621	\$ 1,396,863	\$ 3,265,484
Buildings	973,562	4,353,082	5,326,644
Machinery and equipment	145,601	566,065	711,666
Vehicles	260,585	33,755	294,340
Infrastructure	1,128,141	-	1,128,141
Landfill	102,588	-	102,588
Lines and extensions	-	6,911,671	6,911,671
	<u>\$ 4,479,098</u>	<u>\$ 13,261,436</u>	<u>\$ 17,740,534</u>

The following graph provides a breakdown of which assets make up the largest portion of the City's total investment in capital assets. The graph combines assets used in both governmental and business-type activities.

**City-Wide Capital Assets**



Additional information on the City of Dunlap, Tennessee's capital assets can be found in Note 9 on pages 40 and 41 of this report.

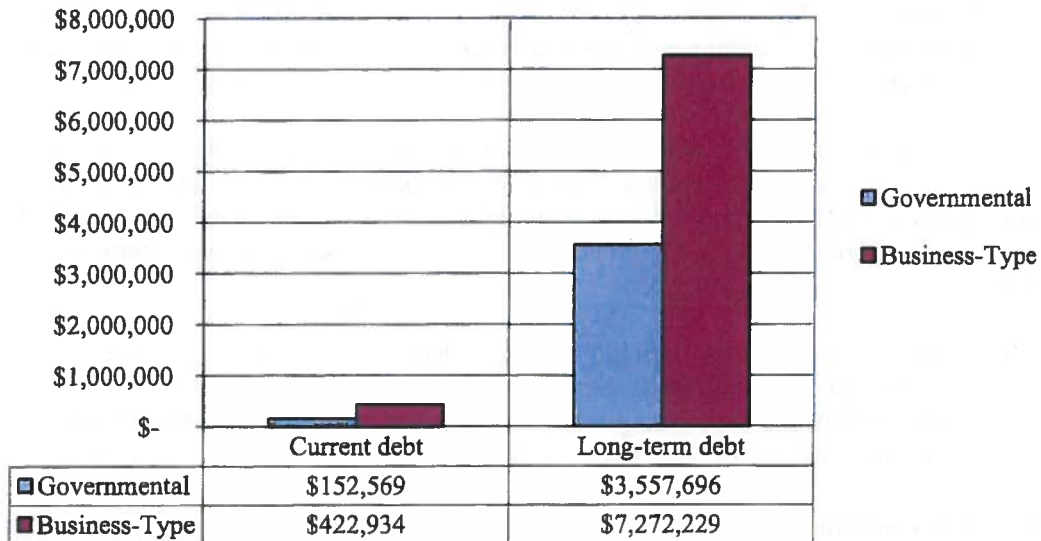
### City of Dunlap, Tennessee's Outstanding Debt

At the end of the current fiscal year, the City of Dunlap, Tennessee had total long-term debt outstanding of \$11,405,428. Of that amount, \$575,503 is due in the next fiscal year.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Bonds payable	\$ 3,530,932	\$ 7,602,469	\$ 11,133,401
Landfill post-closure-estimate	33,572	-	33,572
Compensated absences	<u>145,761</u>	<u>92,694</u>	<u>238,455</u>
	3,710,265	7,695,163	11,405,428
Less current portion	<u>( 152,569)</u>	<u>( 422,934)</u>	<u>( 575,503)</u>
 Total long-term debt	 <u>\$ 3,557,696</u>	 <u>\$ 7,272,229</u>	 <u>\$ 10,829,925</u>

As shown in the graph below, long-term debt is attributed greatly to the City's water and sewer and natural gas funds. Long-term debt of governmental activities only accounts for 32.53% of total long-term debt.

**Long-Term Debt By Activity**



Additional information on outstanding debt can be found in Note 11 on pages 42 through 45.

### **Currently Known Conditions**

The Coops Creek Phase II is the continuation of the Phase 1 project. The project will entail continuing the 10' wide asphalt walking trail with Boardwalks and Bridges following the former railroad line from Coops Creek to the campus of the Sequatchie County Schools. The campus will provide a trail head to house basic parking and a focal point of the trail. Bids for the project were requested and came in at substantially more than originally budgeted. Tennessee Department of Transportation (TDOT), the grantor agency, increased the scope of the project and increased project funding to \$1,532,814 with the City share being \$306,563. The City share will be funded by issuance of Bonds and/or Capital Outlay Notes. The low bid was accepted with work to begin in spring of 2019.

The Dunlap Streetscape Project Phase II is the construction of streetscape improvements from Rankin Avenue/Church Street intersection to the Spring Street/Cherry Street intersection. The project includes ADA upgrades, landscaping, signage, pedestrian lighting and pedestrian amenities. The project design is completed. Permits and easements are being obtained so that bidding can let in spring of 2019 with construction for Summer/Fall 2019.

The Harris Park Phase II is continued improvements to the City of Dunlap Harris Park. The amenities will include construction of a splash pad, landscaping and public bathrooms. Splash pad equipment has been ordered and bids let for the landscaping and site preparation. Construction is set to begin in the Spring/Summer of 2019.

The City of Dunlap has received approval for a Tennessee Department of Transportation (TDOT) Multimodal Access Grant. The project will entail linear feet of sidewalks with curbs, pedestrian bridges, crosswalks, pedestrian scale lighting, signage and landscaping on Rankin Avenue from Reed Street to Coops Creek Greenway. Bidding and construction is anticipated in the Spring/Summer of 2019.

The City of Dunlap received a \$50,000 grant from the Tennessee Wildlife Resources Agency (TWRA) for the construction of boat launch near the Dunlap Waterworks water intake site. The City has acquired additional property at the site which will also provide parking for users of the boat launch. Permits and Environmental review are in process with construction scheduled for the low water time in late summer or fall of 2019.

The City of Dunlap Water and Sewer system has been awarded a Community Development Block Grant (CDBG) for improvement to its water loss detection capabilities. The project entails engineering, design, installation of zone meters for pinpointing water loss areas, leak detection and calibration of existing master meters. Currently, the project is in the early phase of engineering design.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Dunlap, Tennessee's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Dunlap, Tennessee, and P.O. Box 546, Dunlap, Tennessee 37327.

**BASIC FINANCIAL STATEMENTS**

**CITY OF DUNLAP, TENNESSEE**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash	\$ 2,560,555	\$ 1,824,788	\$ 4,385,343
Investments	115,152	243,258	358,410
Property taxes receivable - net	816,218	-	816,218
Accounts receivable - net	31,499	236,677	268,176
Grants receivable	57,776	-	57,776
Internal balances	22,171	(22,171)	-
Due from other governments	412,740	-	412,740
Inventory	-	234,852	234,852
Total current assets	<u>4,016,111</u>	<u>2,517,404</u>	<u>6,533,515</u>
Non-current assets			
Restricted assets	-	459,611	459,611
Other assets	-	20	20
Capital assets			
Land and construction in process	1,868,621	1,396,863	3,265,484
Other capital assets - net of accumulated depreciation	2,610,477	11,864,573	14,475,050
Total capital assets	<u>4,479,098</u>	<u>13,261,436</u>	<u>17,740,534</u>
Total non-current assets	<u>4,479,098</u>	<u>13,721,067</u>	<u>18,200,165</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,495,209</u>	<u>\$ 16,238,471</u>	<u>\$ 24,733,680</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>\$ 339,400</u>	<u>\$ 277,691</u>	<u>\$ 617,091</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 383,990	\$ 377,245	\$ 761,235
Payable to pension plan	28,683	-	28,683
Accrued liabilities	44,774	33,521	78,295
Accrued interest	-	115,447	115,447
Bonds payable - due in one year	121,018	404,396	525,414
Landfill post closure liability - estimate - due in one year	2,399	-	2,399
Compensated absences - due in one year	29,152	18,538	47,690
Total current liabilities	<u>610,016</u>	<u>949,147</u>	<u>1,559,163</u>
Non-current liabilities			
Bonds payable	3,409,914	7,198,073	10,607,987
Landfill post-closure liability - estimate	31,173	-	31,173
Compensated absences	116,609	74,156	190,765
Customer deposits	-	240,590	240,590
Net pension liability	409,095	334,712	743,807
Total non-current liabilities	<u>3,966,791</u>	<u>7,847,531</u>	<u>11,814,322</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 4,576,807</u>	<u>\$ 8,796,678</u>	<u>\$ 13,373,485</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 730,156	\$ -	\$ 730,156
Deferred inflows related to pensions	32,848	26,879	59,727
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 763,004</u>	<u>\$ 26,879</u>	<u>\$ 789,883</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 914,594	\$ 5,658,967	\$ 6,573,561
Restricted for state street aid expenditures	198,129	-	198,129
Restricted for non-recurring police expenditures	9,597	-	9,597
Restricted for debt service	35,740	-	35,740
Unrestricted	2,336,738	2,033,638	4,370,376
<b>TOTAL NET POSITION</b>	<u>\$ 3,494,798</u>	<u>\$ 7,692,605</u>	<u>\$ 11,187,403</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**

**Statement of Activities**

**Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
<b>Primary Government</b>							
Government activities:							
General government	\$ 1,552,226	\$ 45,162	\$ -	\$ -	\$ (1,507,064)	\$ -	\$ (1,507,064)
Public safety	1,155,007	79,958	7,200	-	(1,067,849)	-	(1,067,849)
Public works	1,125,855	355,989	9,688	98,063	(662,115)	-	(662,115)
Public welfare and recreation	246,747	-	-	-	(246,747)	-	(246,747)
State street aid	68,544	-	161,467	-	92,923	-	92,923
Interest on long-term debt	61,014	-	-	-	(61,014)	-	(61,014)
Total governmental activities	<u>4,209,393</u>	<u>481,109</u>	<u>178,355</u>	<u>98,063</u>	<u>(3,451,866)</u>	<u>-</u>	<u>(3,451,866)</u>
Business-type activities:							
Water and sewer	2,211,803	2,074,146	-	-	-	(137,657)	(137,657)
Natural gas	1,756,968	2,030,753	-	-	-	273,785	273,785
Total business-type activities	<u>3,968,771</u>	<u>4,104,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,128</u>	<u>136,128</u>
Total primary government	<u>\$ 8,178,164</u>	<u>\$ 4,586,008</u>	<u>\$ 178,355</u>	<u>\$ 98,063</u>	<u>(3,451,866)</u>	<u>136,128</u>	<u>(3,315,738)</u>
General revenues:							
Real property tax					652,784	-	652,784
Public utility tax					42,061	-	42,061
Minimum business tax					111,218	-	111,218
Local sales tax					1,467,333	-	1,467,333
Local beer tax					248,944	-	248,944
Other state taxes					519,566	-	519,566
Interest revenue					1,324	5,717	7,041
Miscellaneous					76,176	-	76,176
Total general revenues					<u>3,119,406</u>	<u>5,717</u>	<u>3,125,123</u>
Change in net position					(332,460)	141,845	(190,615)
Net position - beginning					<u>3,827,258</u>	<u>7,550,760</u>	<u>11,378,018</u>
Net position - end					<u>\$ 3,494,798</u>	<u>\$ 7,692,605</u>	<u>\$ 11,187,403</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 2,545,218	\$ 15,337	\$ 2,560,555
Investments	85,152	30,000	115,152
Property taxes receivable - net	816,218	-	816,218
Accounts receivable - net	31,499	-	31,499
Grant receivable	57,776	-	57,776
Due from other funds	29,398	29,398	58,796
Due from other governments	412,740	-	412,740
<b>TOTAL ASSETS</b>	<u>\$ 3,978,001</u>	<u>\$ 74,735</u>	<u>\$ 4,052,736</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 383,990	\$ -	\$ 383,990
Payable to pension plan	28,683	-	28,683
Accrued liabilities	44,774	-	44,774
Due to other funds	7,227	29,398	36,625
<b>TOTAL LIABILITIES</b>	<u>\$ 464,674</u>	<u>\$ 29,398</u>	<u>\$ 494,072</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	<u>\$ 808,615</u>	<u>\$ -</u>	<u>\$ 808,615</u>
<b>FUND BALANCES</b>			
Restricted	\$ 198,129	\$ 45,337	\$ 243,466
Unassigned	2,506,583	-	2,506,583
<b>TOTAL FUND BALANCES</b>	<u>\$ 2,704,712</u>	<u>\$ 45,337</u>	<u>\$ 2,750,049</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF DUNLAP, TENNESSEE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2018**

Total fund balances per governmental funds balance sheet	\$ 2,750,049
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,479,098
Long-term liabilities, including bonds payable, compensated absences and landfill closure costs and post-closure costs are not due and payable in the current period and, therefore, are not reported in the funds.	(3,710,265)
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	(102,543)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>78,459</u>
Net position of governmental activities	<u>\$ 3,494,798</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 2,339,729	\$ -	\$ 2,339,729
License and permits	4,319	-	4,319
Intergovernmental	968,657	-	968,657
Charges for services	43,018	355,989	399,007
Fines and forfeitures	76,141	3,817	79,958
Other revenues	<u>72,604</u>	<u>2,437</u>	<u>75,041</u>
<b>TOTAL REVENUES</b>	<u>3,504,468</u>	<u>362,243</u>	<u>3,866,711</u>
<b>EXPENDITURES</b>			
<b>Current expenditures</b>			
General government	1,521,362	2,707	1,524,069
Public safety	1,089,146	1,263	1,090,409
Public works	580,312	398,732	979,044
Public welfare and recreation	203,348	-	203,348
State street aid	68,189	-	68,189
<b>Capital outlay</b>	1,360,370	1,025	1,361,395
<b>Debt service</b>	<u>-</u>	<u>233,413</u>	<u>233,413</u>
<b>TOTAL EXPENDITURES</b>	<u>4,822,727</u>	<u>637,140</u>	<u>5,459,867</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,318,259)</u>	<u>(274,897)</u>	<u>(1,593,156)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	1,559,914	-	1,559,914
Transfers in	-	278,553	278,553
Transfers out	<u>(278,553)</u>	<u>-</u>	<u>(278,553)</u>
Total other financing sources (uses)	<u>1,281,361</u>	<u>278,553</u>	<u>1,559,914</u>
Net changes in fund balances	(36,898)	3,656	(33,242)
<b>Fund balances - beginning</b>	<u>2,741,610</u>	<u>41,681</u>	<u>2,783,291</u>
<b>Fund balances - end</b>	<u>\$ 2,704,712</u>	<u>\$ 45,337</u>	<u>\$ 2,750,049</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2018**

Net change in fund balances for total governmental funds	\$ (33,242)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	994,659
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	10,220
Repayment of long-term debt is reported as an expenditure in governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position.	172,399
Bonds issued are reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the Statement of Net Position. During the current year additional loan proceeds were drawn on bonds payable.	(1,559,914)
Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	92,072
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Accrued vacation	<u>(8,654)</u>
Change in net position of governmental activities	<u>\$ (332,460)</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Real property	\$ 702,600	\$ 702,600	\$ 642,564	\$ (60,036)
Public utility	-	-	42,061	42,061
Minimum business	109,000	109,000	111,218	2,218
Local option sales tax	561,100	561,100	558,535	(2,565)
Local sales	912,700	912,700	908,798	(3,902)
Local beer	68,400	68,400	76,553	8,153
Total taxes	<u>2,353,800</u>	<u>2,353,800</u>	<u>2,339,729</u>	<u>(14,071)</u>
License and permits				
Building permits	<u>5,000</u>	<u>5,000</u>	<u>4,319</u>	<u>(681)</u>
Intergovernmental				
State shared				
Sales tax	417,500	417,500	414,203	(3,297)
Beer tax	227,300	227,300	172,391	(54,909)
Income tax	50,000	50,000	38,906	(11,094)
Excise tax	11,500	11,500	11,835	335
Gas and motor fuel tax	134,000	134,000	161,467	27,467
Streets and transportation	9,800	9,800	9,688	(112)
TVA replacement	55,000	55,000	54,622	(378)
Federal grants	2,077,748	2,077,748	98,063	(1,979,685)
Police supplemental	<u>9,900</u>	<u>9,900</u>	<u>7,482</u>	<u>(2,418)</u>
Total intergovernmental	<u>2,992,748</u>	<u>2,992,748</u>	<u>968,657</u>	<u>(2,024,091)</u>
Charges for services				
Beer license and fees	800	800	5,543	4,743
Rent of facilities	<u>37,000</u>	<u>37,000</u>	<u>37,475</u>	<u>475</u>
Total charges for services	<u>37,800</u>	<u>37,800</u>	<u>43,018</u>	<u>5,218</u>
Fines and forfeitures				
Court fines and fees	<u>78,000</u>	<u>78,000</u>	<u>76,141</u>	<u>(1,859)</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Other revenues				
Miscellaneous	\$ 4,900	\$ 4,900	\$ 10,349	\$ 5,449
Donation	-	-	15,025	15,025
Reimbursements	4,700	4,700	30,606	25,906
Interest	315	315	1,286	971
Cable TV franchise	15,000	15,000	15,338	338
Total other revenues	<u>24,915</u>	<u>24,915</u>	<u>72,604</u>	<u>47,689</u>
<b>TOTAL REVENUES</b>	<u>5,492,263</u>	<u>5,492,263</u>	<u>3,504,468</u>	<u>(1,987,795)</u>
<b>EXPENDITURES</b>				
Current expenditures				
General government				
Financial administration				
Salaries	479,734	479,734	453,708	26,026
Payroll taxes	36,700	36,700	34,931	1,769
Employee benefits	163,713	163,713	128,889	34,824
Advertising	8,000	8,000	8,197	(197)
Auditing and legal services	34,600	34,600	35,067	(467)
Contracts	16,250	16,250	19,207	(2,957)
Donations	105,433	105,433	105,267	166
Donation to IDB	105,300	105,300	403,214	(297,914)
Economic development	9,000	9,000	9,000	-
Insurance	32,600	32,600	34,019	(1,419)
Miscellaneous	6,950	6,950	3,036	3,914
Office supplies	25,900	25,900	17,198	8,702
Other fees, billings and refunds	30,000	30,000	21,509	8,491
Professional services	15,000	15,000	48,038	(33,038)
Repairs and maintenance	49,800	49,800	25,940	23,860
Telephone	10,500	10,500	11,929	(1,429)
Training and travel	7,200	7,200	6,817	383
Uniforms	2,000	2,000	53	1,947
Utilities	42,000	42,000	36,905	5,095
Vehicle expense	9,750	9,750	1,410	8,340
Total financial administration	<u>1,190,430</u>	<u>1,190,430</u>	<u>1,404,334</u>	<u>(213,904)</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
General government (Continued)				
Judicial				
Salaries	\$ 78,609	\$ 78,609	\$ 71,240	\$ 7,369
Payroll taxes	3,544	3,544	5,359	(1,815)
Employee benefits	14,452	14,452	16,952	(2,500)
Insurance	400	400	296	104
Miscellaneous	600	600	752	(152)
Office supplies	1,750	1,750	576	1,174
Other fees, billings and refunds	20,000	20,000	17,430	2,570
Professional services	4,000	4,000	3,864	136
Training and travel	1,750	1,750	469	1,281
Uniforms	500	500	90	410
Total judicial	<u>125,605</u>	<u>125,605</u>	<u>117,028</u>	<u>8,577</u>
Total general government	<u>1,316,035</u>	<u>1,316,035</u>	<u>1,521,362</u>	<u>(205,327)</u>
Public safety				
Police department				
Salaries	581,292	581,292	567,330	13,962
Payroll taxes	44,469	44,469	43,106	1,363
Employee benefits	207,683	207,683	212,736	(5,053)
Contracts	8,300	8,300	5,732	2,568
Insurance	53,325	53,325	48,472	4,853
Miscellaneous	4,500	4,500	4,705	(205)
Office supplies	11,250	11,250	8,451	2,799
Other fees, billings and refunds	300	300	87	213
Repairs and maintenance	7,600	7,600	6,412	1,188
Supplies	4,500	4,500	3,503	997
Telephone	8,700	8,700	8,912	(212)
Training and travel	10,000	10,000	11,151	(1,151)
Uniforms	11,500	11,500	9,105	2,395
Utilities	7,800	7,800	10,097	(2,297)
Vehicle expense	32,600	32,600	31,878	722
Total police department	<u>993,819</u>	<u>993,819</u>	<u>971,677</u>	<u>22,142</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
Public safety (Continued)				
Fire department				
Contracts	\$ 16,300	\$ 16,300	\$ 20,405	\$ (4,105)
Insurance	20,775	20,775	17,012	3,763
Miscellaneous	250	250	166	84
Office supplies	3,200	3,200	1,095	2,105
Other fees, billings and refunds	7,500	7,500	818	6,682
Repairs and maintenance	14,000	14,000	11,159	2,841
Supplies	4,500	4,500	3,691	809
Telephone	1,750	1,750	1,711	39
Training and travel	2,750	2,750	2,941	(191)
Uniforms	28,000	28,000	26,080	1,920
Utilities	2,600	2,600	4,176	(1,576)
Vehicle expense	37,000	37,000	28,215	8,785
Total fire department	<u>138,625</u>	<u>138,625</u>	<u>117,469</u>	<u>21,156</u>
Total public safety	<u>1,132,444</u>	<u>1,132,444</u>	<u>1,089,146</u>	<u>43,298</u>
Public works				
Street department				
Salaries	103,607	103,607	67,346	36,261
Payroll taxes	7,926	7,926	5,145	2,781
Employee benefits	23,772	23,772	15,802	7,970
Insurance	20,800	20,800	9,080	11,720
Miscellaneous	1,250	1,250	432	818
Supplies	1,430,187	1,430,187	295,380	1,134,807
Telephone	1,000	1,000	254	746
Training and travel	500	500	253	247
Vehicle expense	10,000	10,000	14,445	(4,445)
Total street department	<u>1,599,042</u>	<u>1,599,042</u>	<u>408,137</u>	<u>1,190,905</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**

**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
Public works (Continued)				
Maintenance				
Salaries	\$ 125,695	\$ 125,695	\$ 120,823	\$ 4,872
Payroll taxes	6,592	6,592	5,951	641
Employee benefits	38,702	38,702	34,816	3,886
Insurance	5,400	5,400	4,932	468
Miscellaneous	100	100	75	25
Office supplies	1,450	1,450	139	1,311
Repairs and maintenance	1,100	1,100	208	892
Supplies	2,400	2,400	1,617	783
Telephone	600	600	975	(375)
Training and travel	800	800	-	800
Vehicle expense	2,550	2,550	2,639	(89)
Total maintenance	<u>185,389</u>	<u>185,389</u>	<u>172,175</u>	<u>13,214</u>
Total public works	<u>1,784,431</u>	<u>1,784,431</u>	<u>580,312</u>	<u>1,204,119</u>
Public welfare and recreation				
Parks				
Salaries	57,079	57,079	25,736	31,343
Payroll taxes	4,367	4,367	1,957	2,410
Employee benefits	8,746	8,746	2,570	6,176
Contracts	3,500	3,500	2,093	1,407
Events	45,000	45,000	22,920	22,080
Harris City Park	1,095,000	1,095,000	115,440	979,560
Historical Preservation	5,000	5,000	9,448	(4,448)
Insurance	3,000	3,000	1,175	1,825
Miscellaneous	500	500	54	446
Office supplies	2,600	2,600	586	2,014
Repairs and maintenance	12,750	12,750	5,106	7,644
Supplies	3,600	3,600	1,449	2,151
Telephone	1,200	1,200	1,124	76
Training and travel	1,700	1,700	-	1,700
Uniforms	250	250	-	250
Utilities	7,700	7,700	11,709	(4,009)
Vehicle expense	4,250	4,250	1,981	2,269
Total public welfare and recreation	<u>1,256,242</u>	<u>1,256,242</u>	<u>203,348</u>	<u>1,052,894</u>

(Continued)

The accompanying notes are an integral part of the financial statements.



**CITY OF DUNLAP, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**

**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
State street aid				
Gravel, culverts, concrete repair	\$ 20,000	\$ 20,000	\$ 7,247	\$ 12,753
Other street materials	925	925	2,491	(1,566)
Repairs and maintenance	15,500	15,500	4,537	10,963
Signs purchased	3,500	3,500	2,139	1,361
Street lighting	58,000	58,000	50,994	7,006
Street paving and repair	150,000	150,000	781	149,219
Total state street aid	<u>247,925</u>	<u>247,925</u>	<u>68,189</u>	<u>179,736</u>
<b>Capital outlay</b>				
General government	44,400	44,400	35,183	9,217
Judicial department	3,500	3,500	666	2,834
Police department	116,700	116,700	86,965	29,735
Fire department	126,650	126,650	59,236	67,414
Parks department	20,950	20,950	55,795	(34,845)
Street department	2,068,803	2,068,803	1,119,171	949,632
Maintenance department	3,600	3,600	3,354	246
Total capital outlay	<u>2,384,603</u>	<u>2,384,603</u>	<u>1,360,370</u>	<u>1,024,233</u>
<b>TOTAL EXPENDITURES</b>	<u>8,121,680</u>	<u>8,121,680</u>	<u>4,822,727</u>	<u>3,298,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,629,417)</u>	<u>(2,629,417)</u>	<u>(1,318,259)</u>	<u>1,311,158</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	1,430,000	1,430,000	1,559,914	129,914
Transfers out	(235,810)	(235,810)	(278,553)	(42,743)
Total other financing sources (uses)	<u>1,194,190</u>	<u>1,194,190</u>	<u>1,281,361</u>	<u>87,171</u>
Net changes in fund balances	(1,435,227)	(1,435,227)	(36,898)	1,398,329
<b>Fund balances - beginning</b>	<u>2,741,610</u>	<u>2,741,610</u>	<u>2,741,610</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 1,306,383</u>	<u>\$ 1,306,383</u>	<u>\$ 2,704,712</u>	<u>\$ 1,398,329</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2018**

	Enterprise		Totals
	Water and Sewer Fund	Natural Gas Fund	
<b>ASSETS</b>			
Current assets			
Cash	\$ 1,064,013	\$ 760,775	\$ 1,824,788
Investments	217,956	25,302	243,258
Accounts receivable - net	191,016	45,661	236,677
Due from other funds	6,391	836	7,227
Inventory	67,370	167,482	234,852
Total current assets	<u>1,546,746</u>	<u>1,000,056</u>	<u>2,546,802</u>
Non-current assets			
Restricted assets			
Bond sinking fund - cash	-	10,597	10,597
Bond sinking fund - investments	449,014	-	449,014
Total restricted assets	<u>449,014</u>	<u>10,597</u>	<u>459,611</u>
Other assets			
Security deposit	-	20	20
Capital assets			
Land and construction in progress	1,396,863	-	1,396,863
Other capital assets - net of accumulated depreciation	10,448,063	1,416,510	11,864,573
Total capital assets	<u>11,844,926</u>	<u>1,416,510</u>	<u>13,261,436</u>
Total non-current assets	<u>12,293,940</u>	<u>1,427,127</u>	<u>13,721,067</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,840,686</u></b>	<b><u>\$ 2,427,183</u></b>	<b><u>\$ 16,267,869</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>\$ 172,784</u>	<u>\$ 104,907</u>	<u>\$ 277,691</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 347,629	\$ 29,616	\$ 377,245
Accrued liabilities	24,962	8,559	33,521
Accrued interest	12,432	103,015	115,447
Due to other funds	29,398	-	29,398
Bonds payable - due in one year	254,396	150,000	404,396
Compensated absences - due in one year	11,385	7,153	18,538
Total current liabilities	<u>680,202</u>	<u>298,343</u>	<u>978,545</u>
Non-current liabilities			
Bonds payable	6,095,073	1,103,000	7,198,073
Compensated absences	45,541	28,615	74,156
Customer deposits	153,845	86,745	240,590
Net pension liability	208,264	126,448	334,712
Total non-current liabilities	<u>6,502,723</u>	<u>1,344,808</u>	<u>7,847,531</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 7,182,925</u></b>	<b><u>\$ 1,643,151</u></b>	<b><u>\$ 8,826,076</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>\$ 16,724</u>	<u>\$ 10,155</u>	<u>\$ 26,879</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,495,457	\$ 163,510	\$ 5,658,967
Unrestricted	1,318,364	715,274	2,033,638
<b>TOTAL NET POSITION</b>	<b><u>\$ 6,813,821</u></b>	<b><u>\$ 878,784</u></b>	<b><u>\$ 7,692,605</u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2018**

	<b>Enterprise</b>		<b>Totals</b>
	<b>Water and Sewer Fund</b>	<b>Natural Gas Fund</b>	
<b>OPERATING REVENUES</b>			
Water sales and sewer charges	\$ 2,007,586	\$ -	\$ 2,007,586
Gas sales	-	2,015,373	2,015,373
Customer penalties	1,093	777	1,870
Connection fees	53,000	14,475	67,475
Other operating	12,467	128	12,595
Total operating revenues	<u>2,074,146</u>	<u>2,030,753</u>	<u>4,104,899</u>
<b>OPERATING EXPENSES</b>			
Purchased gas	-	815,867	815,867
Transmission and treatment	214,957	-	214,957
Operating and maintenance	734,109	412,099	1,146,208
Administration	450,194	349,657	799,851
Depreciation	592,921	148,082	741,003
Total operating expenses	<u>1,992,181</u>	<u>1,725,705</u>	<u>3,717,886</u>
Operating income (loss)	<u>81,965</u>	<u>305,048</u>	<u>387,013</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	3,581	2,136	5,717
Interest expense	(174,708)	(31,263)	(205,971)
Bond issue	(44,914)	-	(44,914)
Total non-operating revenues (expenses)	<u>(216,041)</u>	<u>(29,127)</u>	<u>(245,168)</u>
Changes in net position	(134,076)	275,921	141,845
Net position - beginning	<u>6,947,897</u>	<u>602,863</u>	<u>7,550,760</u>
Net position - end	<u>\$ 6,813,821</u>	<u>\$ 878,784</u>	<u>\$ 7,692,605</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**

	<b>Enterprise</b>		<b>Total</b>
	<b>Water and Sewer Fund</b>	<b>Natural Gas Fund</b>	
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 2,029,479	\$ 2,027,270	\$ 4,056,749
Payments to suppliers	(1,038,778)	(1,022,922)	(2,061,700)
Payments to employees	(577,932)	(439,200)	(1,017,132)
Net cash provided (used) by operating activities	<u>412,769</u>	<u>565,148</u>	<u>977,917</u>
<b>Cash Flows from Non-capital Financing Activities</b>			
Increase (decrease) in due to other funds	<u>(30,639)</u>	<u>5,261</u>	<u>(25,378)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds of borrowings for capital purposes	1,415,086	-	1,415,086
Principal paid on bonds and notes	(249,061)	(160,000)	(409,061)
Interest paid on bonds and notes	(174,708)	(31,263)	(205,971)
Acquisition and construction of capital assets	(949,762)	(4,043)	(953,805)
Net cash provided (used) by capital and related financing activities	<u>41,555</u>	<u>(195,306)</u>	<u>(153,751)</u>
<b>Cash Flows from Investing Activities</b>			
Interest payments received	3,581	2,136	5,717
Purchase of investments	(1,350)	(4)	(1,354)
Net cash provided (used) by investing activities	<u>2,231</u>	<u>2,132</u>	<u>4,363</u>
Net increase (decrease) in cash	425,916	377,235	803,151
Cash - beginning	<u>638,097</u>	<u>394,137</u>	<u>1,032,234</u>
Cash - end	<u>\$ 1,064,013</u>	<u>\$ 771,372</u>	<u>\$ 1,835,385</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	<u>\$ 81,965</u>	<u>\$ 305,048</u>	<u>\$ 387,013</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	592,921	148,082	741,003
Bond issue	(44,914)	-	(44,914)
Increase (decrease) in net pension liability	(31,530)	(19,143)	(50,673)
Increase (decrease) in deferred inflows related to pensions	(951)	(577)	(1,528)
(Increase) decrease in deferred outflows related to pensions	(14,392)	(8,738)	(23,130)
(Increase) decrease in accounts receivable	(44,667)	(3,483)	(48,150)
(Increase) decrease in grants receivable	15,000	-	15,000
(Increase) decrease in inventories	511	110,190	110,701
Increase (decrease) in accounts payable	(156,473)	14,734	(141,739)
Increase (decrease) in accrued liabilities	3,283	299	3,582
Increase (decrease) in accrued interest	(267)	-	(267)
Increase (decrease) in customer deposits	19,690	6,950	26,640
Increase (decrease) in compensated absences	(7,407)	11,786	4,379
Total adjustments	<u>330,804</u>	<u>260,100</u>	<u>590,904</u>
Net cash provided (used) by operating activities	<u>\$ 412,769</u>	<u>\$ 565,148</u>	<u>\$ 977,917</u>
<b>Cash</b>			
Cash	<u>\$ 1,064,013</u>	<u>\$ 760,775</u>	<u>\$ 1,824,788</u>
Bond sinking fund - cash	<u>-</u>	<u>10,597</u>	<u>10,597</u>
Total	<u>\$ 1,064,013</u>	<u>\$ 771,372</u>	<u>\$ 1,835,385</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DUNLAP, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Dunlap, Tennessee have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City of Dunlap, Tennessee operates under a Mayor and Board of Commissioners form of government within the following departments: general government, public safety, public works, public welfare and recreation and state street aid.

The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the City of Dunlap, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there are no entities, which meet the above criteria for inclusion in the City of Dunlap, Tennessee's financial statements.

**Joint Venture**

**Sequatchie/Bledsoe County Landfill**

The Sequatchie/Bledsoe County Landfill (SBCL) is a joint venture entered into by four governmental entities, Bledsoe and Sequatchie counties and the cities of Dunlap and Pikeville. The landfill was formed by agreements entered into by these governments for the purpose of providing solid waste disposal for the citizens of Sequatchie and Bledsoe counties. The landfill is administered under the oversight of a Board of Directors consisting of three people from each county and two from each city. The County Executive of each county and the Mayors of each city are members of the Board, and the remaining members are appointed by these officials subject to the approval of their respective governing body. Financial statements of the SBCL can be obtained by contacting the Bledsoe County Courthouse.

**Related Organization**

**The Industrial Development Board of the City of Dunlap, Tennessee**

The Industrial Development Board of the City of Dunlap, Tennessee, is determined to be a related organization of the City of Dunlap, Tennessee. Although the City of Dunlap, Tennessee, appoints the board of directors, the City of Dunlap, Tennessee is not financially accountable for operations of The Industrial Development Board of the City of Dunlap, Tennessee.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Basic Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both government-wide and fund financial statements categorize activities as either government activities or business-type activities.

**Government-wide Statements** - The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property or sales tax, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the City as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

**Fund Financial Statements** - The fund financial statements provide information about the City's funds, including its governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

**General Fund** - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Basic Financial Statements (Continued)

The City reports the following major enterprise funds:

**Water and Sewer Fund** - This fund is used to account for the water and sewer delivery and recovery system of the City.

**Natural Gas Fund** - This fund is used to account for the natural gas delivery system for the City.

### C. Measurement Focus - Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, wholesale beer taxes, income taxes, mixed drink taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Budgetary Data**

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

During April and May, budget requests from departments are submitted to the City Commissioners at its regularly scheduled meetings.

Budget items submitted are discussed at these regularly scheduled meetings and in special work session meetings in June. Subsequently the budget is enacted through vote of the Commissioners, with an operative date of July 1.

Formal budgets are adopted for the General Fund, Special Revenue, and Debt Service Funds on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. These formal budgets are adopted on a departmental basis. The City Mayor is authorized to transfer budgeted amounts between departments within any fund. However, any revision that alters the total expenditures of any fund must be approved by the Board of Commissioners.

Budgeted amounts reflected in the accompanying final and actual comparison are as originally adopted in accordance with GAAP, or as amended by the Commissioners throughout the year. Individual amendments are not material in relation to the original appropriations, which were amended. All appropriations which are not expended lapse at year-end.

During the year, no supplementary appropriations were necessary.

Budgets for Enterprise Funds are adopted by the Commissioners as a management tool.

### **E. Cash and Cash Equivalents**

Cash consists of cash on hand and on deposit with financial institutions. These are classified on the Statement of Net Position as "Cash" and "Restricted Assets". At June 30, 2018, the City had no cash equivalents. For purposes of reporting cash on the Statement of Cash Flows, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

### **F. Investments**

All investments are reported at fair value, which is based on quoted market prices. The City is authorized by State Statutes to invest in the following:

Bonds, notes or treasury bills of the United States.

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association.

Any obligation guaranteed by the United States or any of its agencies.

Certificates of deposit at state and federal chartered banks and savings and loan associations.

The Local Government Investment Pool created by Title 9.



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **G. Property Taxes**

Property taxes are levied by the City on January 1<sup>st</sup> on property value assessed for that calendar year. The billings are mailed October 1<sup>st</sup> and are considered due upon receipt by the taxpayer, however, the actual due date is based on a period ending approximately 60 days after calendar year end. On this date, March 1<sup>st</sup>, the bill becomes delinquent and penalties and interest may be assessed. Property taxes levied by the City are assessed by the Tax Assessor of Sequatchie County, Tennessee and are collected by the City. Property taxes are recognized on the accrual basis in the government-wide financial statements, and in the governmental funds, they are recognized on the modified accrual basis. Proper allowances are made for estimated uncollectible and delinquent accounts when necessary. The tax rate for the 2018 levy is \$0.752 per \$100 of assessed valuation and the tax rate for the 2017 levy is \$.752 per \$100 of assessed valuation.

Property taxes for the 2018 levy are considered to be owed to the City as of the lien date on January 1, 2018. Therefore, the entire 2018 levy was recorded as a receivable and deferred revenue as of June 30, 2018, in both the government-wide financial statements and in the governmental fund statements.

### **H. Interfund Transactions**

#### **Interfund Receivables and Payables**

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts, classified as due to other funds or due from other funds in the fund financial statements, and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

#### **Transactions between Funds**

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as operating transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

### **I. Prepayment of Expenditures**

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditures of the period of acquisition.

### **J. Inventories**

Inventories are valued at cost, using the first-in, first-out (FIFO method). The cost of an inventory item is recorded as an expense at the time of purchase. Inventories on hand at year-end are physically counted and recorded as assets, reducing the appropriate expense account.

### **K. Restricted Assets**

Certain resources are classified as restricted assets on the Statement of Net Position because their use is limited by applicable note restrictions.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	5-40
Machinery and equipment	3-20
Vehicles	5-15
Infrastructure	50
Landfill	30

Capital assets of the proprietary funds are accounted for in the proprietary fund and are stated at cost or estimated fair value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings	5-50
Machinery and equipment	3-40
Vehicles	5-10
Lines and extensions	5-50

Donated capital assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

**M. 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. Currently, the Entity has only one type of item that qualifies for reporting in this category: deferred outflows related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the City has two types of items that qualify for reporting in this category: deferred revenue - property taxes and deferred inflows related to pensions.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### N. **Compensated Absences**

City employees are paid annual leave for vacation, personal business and absence due to sickness by prescribed formulas based on length of service. Annual leave for employees of governmental funds is recorded as an expenditure in the period it is used and considered payable from current financial resources. Annual leave is based on employment date, and unused annual leave may be accumulated up to a total of 500 hours. Government-wide proprietary funds accrue vacation benefits in the period they are earned. A liability for these amounts is reported in governmental funds only if they have matured.

### O. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

### P. **Pensions**

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

### Q. **Net Position**

Net position is the residual of all elements presented in the Statement of Financial Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by any related outstanding debt.

### R. **Fund Balance**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

**Nonspendable:** The City cannot spend these amounts due to form.

**Restricted:** The State or other sources can restrict funds to specific purposes by externally imposing restrictions or imposing by law through constitutional provisions or enabling legislation.

**Committed:** The Board of Commissioners has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

**Assigned:** The Board of Commissioners has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Fund Balance (Continued)**

Unassigned: Amounts not classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When restricted, committed, assigned and unassigned funds are available for use, restricted funds should be spent first, committed funds second, assigned funds third and unassigned funds last.

**S. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**T. Events Occurring after Reporting Date**

The City has evaluated events and transactions that occurred between June 30, 2018, and January 25, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to it. The City does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2018, the carrying amount of the City's deposits was \$5,075,608, and the bank balance was \$5,310,770. None of the City's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

The carrying amount of the City's deposits is classified as follows on the Statement of Net Position:

Cash	\$ 4,385,343
Investments	358,410
Restricted assets	<u>459,611</u>
	5,203,364
Less: petty cash	( 800)
Less: Local Government Investment Pool (LGIP)	<u>( 126,956)</u>
Total	<u>\$ 5,075,608</u>

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Investments

The City's investments are carried at fair value, and consist of certificates-of-deposit and investments in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. Because the fund is valued at a constant dollar, the City's position in the pool is equal to its account balance (fair value) as of June 30, 2018. The City's investments are listed on the Statement of Net Position as follows:

Investments	\$ 358,410
Restricted assets	<u>459,611</u>
	818,021
Less: restricted cash	<u>( 10,597)</u>
 Total	 <u>\$ 807,424</u>

**NOTE 3 - PROPERTY TAXES RECEIVABLE - NET**

Property taxes receivable as of June 30, 2018, consist of the following:

<u>Year of Levy</u>	
2018	\$ 730,156
2017	53,625
2016	26,790
2015	16,709
2014	8,031
2013	4,982
2012	3,963
2011	1,540
2010	2,536
2009	<u>379</u>
	848,711
Less: allowance for uncollectibles	<u>( 32,493)</u>
 Property taxes receivable - net	 <u>\$ 816,218</u>

**NOTE 4 - ACCOUNTS RECEIVABLE - NET**

Accounts receivable - net at June 30, 2018, consists of the following:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Customer receivables	\$ -	\$ 209,064	\$ 48,063	\$ 257,127
Less: allowance for doubtful accounts	-	( 18,048)	( 2,402)	( 20,450)
Local beer and liquor tax	21,598	-	-	21,598
Franchise tax	7,664	-	-	7,664
Other	<u>2,237</u>	<u>-</u>	<u>-</u>	<u>2,237</u>
 Total	 <u>\$ 31,499</u>	 <u>\$ 191,016</u>	 <u>\$ 45,661</u>	 <u>\$ 268,176</u>

Bad debt expense was \$0 for the year ended June 30, 2018.

**NOTE 5 - GRANTS RECEIVABLE**

Grants receivable as of June 30, 2018, consist of the following:

Economic and Community Development	\$ 276
Tennessee Department of Environment and Conservation	<u>57,500</u>
Total	<u>\$ 57,776</u>

**NOTE 6 - INTERNAL BALANCES**

Internal balances to be repaid within one year consist of the following:

	Due From:			Total
	General Fund	Solid Waste Fund	Water and Sewer Fund	
Due to:				
General Fund	\$ -	\$ 29,398	\$ -	\$ 29,398
Solid Waste Fund	-	-	29,398	29,398
Water and Sewer Fund	6,391	-	-	6,391
Natural Gas Fund	<u>836</u>	<u>-</u>	<u>-</u>	<u>836</u>
Total	<u>\$ 7,227</u>	<u>\$ 29,398</u>	<u>\$ 29,398</u>	<u>\$ 66,023</u>

Water and Sewer funds of \$29,398 will pass through to the Solid Waste Fund and then pass to the General Fund. The remaining internal balances represent amounts paid by the Water and Sewer Fund and the Natural Gas Fund on behalf of the General Fund.

**NOTE 7 - DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2018, consists of the following:

Local sales tax	\$ 160,835
Gas and motor fuel tax	28,360
City streets and transportation	1,605
State sales tax	72,639
State income tax	38,905
Mixed drink tax	1,585
Business tax	9,652
Local option sales tax	98,613
Telecommunications sales tax	<u>546</u>
Total	<u>\$ 412,740</u>

**NOTE 8 - RESTRICTED ASSETS**

Restricted assets include funds restricted for specific expenditures. The restricted assets at June 30, 2018, are as follows:

	Water and Sewer Fund	Natural Gas Fund	Totals
Bond covenants	<u>\$ 449,014</u>	<u>\$ 10,597</u>	<u>\$ 459,611</u>

**NOTE 9 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 498,792	\$ 50,000	\$ -	\$ 548,792
Construction in process	<u>342,008</u>	<u>977,821</u>	<u>-</u>	<u>1,319,829</u>
Total capital assets not being depreciated	<u>840,800</u>	<u>1,027,821</u>	<u>-</u>	<u>1,868,621</u>
Capital assets being depreciated:				
Buildings	1,660,334	9,986	-	1,670,320
Machinery and equipment	1,191,882	36,734	( 3,300)	1,225,316
Vehicles	2,031,379	148,594	-	2,179,973
Infrastructure	1,402,530	8,498	-	1,411,028
Landfill	<u>198,557</u>	<u>-</u>	<u>-</u>	<u>198,557</u>
Total capital assets being depreciated	<u>6,484,682</u>	<u>203,812</u>	<u>( 3,300)</u>	<u>6,685,194</u>
Less accumulated depreciation for:				
Buildings	656,168	40,590	-	696,758
Machinery and equipment	1,022,747	60,268	( 3,300)	1,079,715
Vehicles	1,844,070	75,318	-	1,919,388
Infrastructure	228,707	54,180	-	282,887
Landfill	<u>89,351</u>	<u>6,618</u>	<u>-</u>	<u>95,969</u>
Total accumulated depreciation	<u>3,841,043</u>	<u>236,974</u>	<u>( 3,300)</u>	<u>4,074,717</u>
Total capital assets being depreciated - net	<u>2,643,639</u>	<u>( 33,162)</u>	<u>-</u>	<u>2,610,477</u>
Governmental activities capital assets - net	<u>\$3,484,439</u>	<u>\$ 994,659</u>	<u>\$ -</u>	<u>\$ 4,479,098</u>

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

General government	\$ 63,986
Public safety	97,281
Public works	32,513
Public welfare and recreation	<u>43,194</u>
Total	<u>\$ 236,974</u>

**NOTE 9 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 104,646	\$ -	\$ -	\$ 104,646
Construction in process	<u>452,007</u>	<u>840,210</u>	<u>-</u>	<u>1,292,217</u>
Total capital assets not being depreciated	<u>556,653</u>	<u>840,210</u>	<u>-</u>	<u>1,396,863</u>
Capital assets being depreciated:				
Buildings	8,214,701	-	-	8,214,701
Machinery and equipment	1,725,116	113,595	( 17,289)	1,821,422
Vehicles	753,090	-	-	753,090
Lines and extensions	<u>15,555,304</u>	<u>-</u>	<u>( 19,374)</u>	<u>15,535,930</u>
Total capital assets being depreciated	<u>26,248,211</u>	<u>113,595</u>	<u>( 36,663)</u>	<u>26,325,143</u>
Less accumulated depreciation for:				
Buildings	3,632,973	228,646	-	3,861,619
Machinery and equipment	1,159,627	113,019	( 17,289)	1,255,357
Vehicles	684,213	35,122	-	719,335
Lines and extensions	<u>8,279,417</u>	<u>364,216</u>	<u>( 19,374)</u>	<u>8,624,259</u>
Total accumulated depreciation	<u>13,756,230</u>	<u>741,003</u>	<u>( 36,663)</u>	<u>14,460,570</u>
Total capital assets being depreciated - net	<u>12,491,981</u>	<u>(627,408)</u>	<u>-</u>	<u>11,864,573</u>
Business-type activities capital assets - net	<u>\$ 13,048,634</u>	<u>\$ 212,802</u>	<u>\$ -</u>	<u>\$ 13,261,436</u>

**NOTE 10 - DEFERRED OUTFLOWS RELATED TO PENSIONS**

Deferred outflows related to pensions at June 30, 2018, consists of the following:

Beginning balance	\$ 565,692
2018 contribution	316,781
Difference in actuarial experience	62,685
2017 contributions	(303,561)
Difference in investment earnings	( 80,831)
Changes in assumptions	134,553
Netting cumulative investment earnings for presentation purposes	<u>( 78,228)</u>
Total	<u>\$ 617,091</u>



**NOTE 11 - LONG-TERM DEBT**

**A. Governmental Debt**

Long-term debt, payable by the governmental funds, which consists of notes payable, bonds payable, landfill post-closure liability and compensated absences is summarized as follows:

	<u>Principal Balance</u>
Landfill Post-closure Liability - estimate	\$ 33,572
Tennessee Municipal Bonds 2002, original amount \$1,214,018 at 0.28%, maturing 5/25/2019	121,018
2017 General Obligation Bond, original amount \$1,850,000 at 2% - 4%, maturing 3/1/2039	1,850,000
2017B General Obligation Bond, original amount \$940,066 at 2% - 3%, maturing 3/1/2036	940,066
2017C General Obligation Bond, original amount \$619,848 at 2.65% - 4%, maturing 3/1/2036	619,848
Compensated absences	<u>145,761</u>
	3,710,265
Less: current portion of governmental long-term debt	<u>( 152,569)</u>
 Total governmental long-term debt	 <u>\$ 3,557,696</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2018, are as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Amount Due Within One Year</u>
Landfill Post-closure Liability - Estimate	\$ 35,971	\$ -	\$ ( 2,399)	\$ 33,572	\$ 2,399
2002 TML Bond	291,018	-	( 170,000)	121,018	121,018
2017 Bond	1,850,000	-	-	1,850,000	-
2017B Bond	-	940,066	-	940,066	-
2017C Bond	-	619,848	-	619,848	-
Compensated absences	<u>137,107</u>	<u>8,654</u>	<u>-</u>	<u>145,761</u>	<u>29,152</u>
 Total	 <u>\$ 2,314,096</u>	 <u>\$1,568,568</u>	 <u>\$ ( 172,399)</u>	 3,710,265	 <u>\$ 152,569</u>
Less: current portion of governmental long-term debt				<u>( 152,569)</u>	
 Total governmental long-term debt				 <u>\$ 3,557,696</u>	

Interest paid during the year ended June 30, 2018, on governmental long-term debt was \$61,014.

**NOTE 11 - LONG-TERM DEBT (Continued)**

**A. Governmental Debt (Continued)**

Government fund debt service requirements to maturity, including interest of \$1,228,979 are as follows:

Year ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 123,417	\$ 103,575	\$ 226,992
2020	143,000	103,236	246,236
2021	146,242	98,455	244,697
2022	156,517	93,608	250,125
2023	156,517	88,417	244,934
2024-2028	858,571	379,490	1,238,061
2029-2033	973,515	258,790	1,232,305
2034-2038	886,725	99,208	985,933
2039	<u>120,000</u>	<u>4,200</u>	<u>124,200</u>
Total	<u>\$ 3,564,504</u>	<u>\$ 1,228,979</u>	<u>\$ 4,793,483</u>

Note: The above debt service requirements schedule does not include compensated absences.

**B. Business-Type Debt Payable**

**Water and Sewer Fund**

Long-term debt, payable by the Water and Sewer Fund, which consists of revenue bonds, notes payable and compensated absences is summarized as follows:

	<u>Principal Balance</u>
Water and Sewer Revenue Refunding bonds, Series 2007, 3.65% - 3.85%, due 1-1-2019	\$ 80,000
Water and Sewer Revenue and Tax bonds, Series 2009, 3.50%, due 2047	464,383
Water and Sewer General Obligation Refunding Bonds, Series 2014, 2.0% to 4.0%, due 2039	4,390,000
2017B General Obligation Bond, original amount \$509,934 at 2% - 3%, maturing 3/1/2036	509,934
2017C General Obligation Bond, original amount \$905,152 at 2.65% - 4%, maturing 3/1/2036	905,152
Compensated absences	<u>56,926</u>
	6,406,395
Less: current portion of water and sewer long-term debt	<u>( 265,781)</u>
Total water and sewer long-term debt	<u>\$ 6,140,614</u>

**NOTE 11 - LONG-TERM DEBT (Continued)**

**B. Business-Type Debt Payable (Continued)**

**Water and Sewer Fund (Continued)**

A summary of changes in water and sewer long-term debt for the year ended June 30, 2018, are as follows:

	Balance			Balance	Amount
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>Due Within</u>
					<u>One Year</u>
2007 Bond	\$ 160,000	\$ -	\$( 80,000)	\$ 80,000	\$ 80,000
2009 Bond	473,444	-	( 9,061)	464,383	9,396
2014 Bond	4,550,000	-	( 160,000)	4,390,000	165,000
2017B Bond	-	509,934	-	509,934	-
2017C Bond	-	905,152	-	905,152	-
Compensated absences	<u>64,333</u>	<u>-</u>	<u>( 7,407)</u>	<u>56,926</u>	<u>11,385</u>
<b>Total</b>	<b><u>\$ 5,247,777</u></b>	<b><u>\$ 1,415,086</u></b>	<b><u>\$( 256,468)</u></b>	<b>6,406,395</b>	<b><u>\$ 265,781</u></b>
Less: current portion of water and sewer long-term debt				<u>( 265,781)</u>	
<b>Total water and sewer long-term debt</b>				<b><u>\$ 6,140,614</u></b>	

Interest paid during the year ended June 30, 2018, on water and sewer long-term debt was \$174,708.

Water and Sewer debt service requirements to maturity, including interest of \$2,666,067 are as follows:

<u>Year ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2019	\$ 254,396	\$ 211,483	\$ 465,879
2020	239,129	204,769	443,898
2021	246,233	198,592	444,825
2022	256,318	192,255	448,573
2023	261,689	185,638	447,327
2024-2028	1,418,502	813,875	2,232,377
2029-2033	1,662,614	565,322	2,227,936
2034-2038	1,613,474	253,289	1,866,763
2039-2043	301,475	33,905	335,380
2044-2047	<u>95,639</u>	<u>6,939</u>	<u>102,578</u>
<b>Total</b>	<b><u>\$ 6,349,469</u></b>	<b><u>\$ 2,666,067</u></b>	<b><u>\$ 9,015,536</u></b>

Note: The above debt service requirements schedule does not include compensated absences.

**NOTE 11 - LONG-TERM DEBT (Continued)**

**B. Business-Type Debt Payable (Continued)**

**Natural Gas Fund**

Long-term debt, payable by the Natural Gas Fund, which consists of revenue bonds and compensated absences, is summarized as follows:

	<u>Principal Balance</u>
Natural gas revenue bond, Series 1964, 5.25%, matured and unrepresented	\$ 63,000
Natural gas revenue and tax bond, Series 2017, 2.00% to 4.00%, due 6/30/2025	1,190,000
Compensated absences	<u>35,768</u>
	1,288,768
Less: current portion of natural gas long-term debt	<u>( 157,153)</u>
 Total natural gas long-term debt	 <u>\$ 1,131,615</u>

A summary of changes in natural gas long-term debt for the year ended June 30, 2018, are as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Amount Due Within One Year</u>
1964 Bond	\$ 63,000	\$ -	\$ -	\$ 63,000	\$ -
2017 Bond	1,350,000	-	( 160,000)	1,190,000	150,000
Compensated absences	<u>23,982</u>	<u>-</u>	<u>-</u>	<u>35,768</u>	<u>7,153</u>
 Total	 <u>\$ 1,436,982</u>	 <u>\$ 11,786</u>	 <u>\$( 160,000)</u>	 1,288,768	 <u>\$ 157,153</u>
 Less: current portion of natural gas long-term debt				 <u>( 157,153)</u>	
 Total natural gas long-term debt				 <u>\$ 1,131,615</u>	

Interest paid during the year ended June 30, 2018, on natural gas long-term debt was \$31,263.

Natural gas debt service requirements to maturity, including interest of \$149,900 are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 150,000	\$ 40,300	\$ 190,300
2020	155,000	34,300	189,300
2021	160,000	28,100	188,100
2022	180,000	21,700	201,700
2023	180,000	14,500	194,500
2024-2025	<u>365,000</u>	<u>11,000</u>	<u>376,000</u>
 Total	 <u>\$ 1,190,000</u>	 <u>\$ 149,900</u>	 <u>\$ 1,339,900</u>

Note: Future debt service requirements for the Series 1964 issue are not available due to the unknown location of the matured but unrepresented bonds. Also, the above debt service requirements schedule does not include compensated absences.

## NOTE 12 - LANDFILL CLOSURE AND POST-CLOSURE COSTS

The City of Dunlap is in a joint venture with the City of Pikeville, Bledsoe County, and Sequatchie County in the Sequatchie/Bledsoe County Landfill. The City of Dunlap shares in the closure and post-closure costs in a ratio equal to the proportion that the City's population bears to the total population of the county. The landfill stopped accepting waste in May of 1999 and concluded closure in November of 2003.

Rules established by the federal Environmental Protection Agency and the Tennessee Solid Waste Management Act of 1991 require municipalities operating landfills in Tennessee to be financially responsible for certain closure and post-closure care costs.

Closure and post-closure care costs include:

- The cost of equipment expected to be installed and facilities expected to be constructed near or after the date the landfill stops accepting waste and during the post-closure period.
- The costs of final cover expected to be applied near or after the closure date.
- The costs of monitoring and maintaining the expected usable landfill areas during the post-closure period. Statement No. 18, *Accounting for Solid Waste Landfill Closure and Post-closure Care Costs*, issued by the Government Accounting Standards Board, requires governments to accrue a liability for these closure and post-closure care costs. This liability represents a proportionate share of estimated total current cost of closure and post-closure care. The liability is based on the cost to provide the required care on the date of the financial statements. The amount accrued each period is determined using the depletion method based on the percentage of landfill capacity used during the period. Estimates of closure and post-closure care costs are recalculated each year to reflect the effects of general inflation/deflation, changes in the landfill's closure or post-closure care plan and for changes in operating conditions such as technology or changes in applicable laws or regulations.

The estimated total current cost of closure and post-closure care of the Sequatchie/Bledsoe County Landfill is \$156,148. The City of Dunlap's share of the estimated total current cost of closure and post-closure, based upon population percentages, would be 21.5%, or \$33,572. This amount has been recorded as a liability in the Statement of Net Position.

The landfill stopped accepting waste in May, 1999 and concluded closure in November, 2003.

## NOTE 13 - NET PENSION LIABILITY

Net pension liability at June 30, 2018, consists of the following:

Beginning balance	\$ 856,415
Employer contributions made during 2017	( 303,561)
Pension expense	149,379
Difference in actuarial experience	73,206
Difference in investment earnings	( 166,185)
Changes in assumptions	<u>134,553</u>
Total	<u>\$ 743,807</u>

**NOTE 14 - DEFERRED REVENUE - PROPERTY TAXES**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds as deferred inflows were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 78,459</u>	<u>\$ 730,156</u>	<u>\$ 808,615</u>

Funds that are earned, but not available, are realized as revenue under GASB #33.

**NOTE 15 - DEFERRED INFLOWS RELATED TO PENSIONS**

Deferred inflows related to pension at June 30, 2018, consists of the following:

Beginning balance	\$ 63,122
Netting cumulative investment earnings for presentation purposes	( 78,228)
Difference in investment earnings	85,354
Difference in actuarial experience	<u>( 10,521)</u>
Total	<u>\$ 59,727</u>

**NOTE 16 - NET POSITION RESTRICTIONS**

The City can restrict net position to be maintained for specific purposes. The nature and purpose of these are explained as follows:

State street aid funds in the amount of \$198,129 are legally restricted for state street aid expenditures.

Drug funds in the amount of \$9,597 are legally restricted for non-recurring police expenditures.

Debt service funds in the amount of \$35,740 are legally restricted for the payment of principal and interest on long-term debt.

**NOTE 17 - FUND BALANCES**

Fund balances are as follows:

Restricted: \$198,129 is legally restricted for state street aid expenditures, \$9,597 is legally restricted for non-recurring police expenditures and \$35,740 is legally restricted for the payment of principal and interest on long-term debt.

Unassigned: In accordance with generally accepted accounting principles, the General Fund is the only fund at the City that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the General Fund.

**NOTE 18 - TRANSFERS**

Interfund operating transfers for the current year were as follows:

<u>Transfers to:</u>	<u>Transfers from:</u>
Solid Waste Fund	<u>General</u>
Debt Service Fund	\$ 42,743
	<u>235,810</u>
Total	<u>\$278,553</u>

General funds were transferred to the Solid Waste Fund and Debt Service Fund for the payment of principal and interest on long-term debt.

**NOTE 19 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds, and net position - government activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "Long-term liabilities, including bonds payable, compensated absences, and landfill closure and post-closure costs are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(3,710,265) difference are as follows:

Bonds payable	\$( 3,530,932)
Landfill post-closure liability - estimate	( 33,572)
Compensated absences	<u>( 145,761)</u>
Net adjustment	<u>\$( 3,710,265)</u>

Another element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(102,543) difference are as follows:

Deferred outflows related to pensions	\$ 339,400
Net pension liability	( 409,095)
Deferred inflows related to pensions	<u>( 32,848)</u>
Net adjustment	<u>\$( 102,543)</u>

**NOTE 19 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$994,659 difference are as follows:

Depreciation expense	\$( 236,974)
Capital outlay	<u>1,231,633</u>
Net adjustment	<u>\$ 994,659</u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$172,399 difference are as follows:

Landfill post-closure cost	\$ 2,399
2002 TML bond	<u>170,000</u>
Net adjustment	<u>\$ 172,399</u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$92,072 difference are as follows:

Pension expense	\$ ( 82,158)
Contributions	<u>174,230</u>
Net adjustment	<u>\$ 92,072</u>

**NOTE 20 - RISK MANAGEMENT POOL**

The City is exposed to various risk of loss related to torts, errors and omissions, damages to assets, and injuries to employees. The City has joined the Tennessee Municipal League Risk Management Pool (TML). The membership allows the City to share liability, motor vehicle, and employee injury risks.



**NOTE 20 - RISK MANAGEMENT POOL (Continued)**

The TML Risk Management Pool is a governmental entity organized by Tennessee cities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee cities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member cities. An extensive program of loss prevention, employee training, and legal counsel supplements experienced claims processing for member cities.

Coverages are as follows:

Property	\$ 29,276,092
Workers compensation	\$ 300,000 per accident
	\$ 700,000 policy limit
	\$ 300,000 per employee
Liability	\$ 1,000,000 each other loss per occurrence

**The responsibilities of the City are as follows:**

To pay all contributions or other sums due to TML at such times and in such amounts as shall be established by TML.

To allow TML and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of TML during the coverage period and up to (3) three years afterward.

To allow attorneys appointed by TML to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by TML.

To assist and cooperate in the defense and settlement of claims against the City.

To furnish full cooperation to TML's attorneys, claims adjusters, and any agent, employee, officer or independent contractor of TML relating to the purposes of TML.

To follow all loss reduction and prevention procedures established by TML where possible.

To furnish to TML such operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any conditions issued, all incidents which could result in TML being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection in which the City participates.

To allow TML to inspect and appraise any damaged property before its repair or disposition.

The City must cooperate with the pool in any dispute resolutions with other insurance companies.

**NOTE 20 - RISK MANAGEMENT POOL (Continued)**

**The responsibilities of TML are as follows:**

TML will defend any suit against the City or covered party seeking damages even if any of the allegations of the suit are groundless, false, or fraudulent.

TML's duty to pay on behalf of or to indemnify a covered party other than the City does not apply to any act, error or omission:

- (1) That constitutes malfeasance in office;
- (2) That constitutes willful and wanton neglect of duty;
- (3) That constitutes dishonesty on the part of a covered party; or
- (4) That constitutes the willful violation of a statute or ordinance by any official, employee, or agent of the municipality.

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims which the City is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2018. No provision has been made in the financial statements for the year ended June 30, 2018, for any estimate of potential unpaid claims.

**NOTE 21 - COMMERCIAL INSURANCE**

It is the policy of the City to purchase commercial insurance for various risks of losses to which it is exposed. These risks include accident and employee health. Other risks of losses are covered under a risk management pool. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 22 - MATERIAL COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS**

The City's enterprise funds operated at losses, accounting records were not closed within 60 days and the City did not bid out new roofing for solar panel.

**NOTE 23 - EMPLOYEE PENSION PLAN**

**General Information about the Pension Plan**

**Plan description**

Employees of Dunlap are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

**NOTE 23 - EMPLOYEE PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

**Benefits provided (Continued)**

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**Employees covered by benefit terms**

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	37
Active employees	<u>51</u>
Total employees	<u>107</u>

**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Dunlap makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for Dunlap were \$316,781 based on a rate of 14.26 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Dunlap's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Dunlap's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**NOTE 23 - EMPLOYEE PENSION PLAN (Continued)**

**Net Pension Liability (Asset) (Continued)**

**Actuarial assumptions**

The total pension liability as of June 30, 2017 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 8.75 to 3.45 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, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**Changes of assumptions**

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

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

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

**NOTE 23 - EMPLOYEE PENSION PLAN (Continued)**

**Net Pension Liability (Asset) (Continued)**

**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 Dunlap will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/16	\$ 5,579,655	\$ 4,723,240	\$ 856,415
Changes for the year:			
Service cost	167,632	-	167,632
Interest	425,618	-	425,618
Differences between expected an actual experience	96,996	-	96,996
Changes in assumptions	156,979	-	156,979
Contributions - employer	-	303,561	( 303,561)
Contributions - employees	-	110,467	( 110,467)
Net investment income	-	550,257	( 550,257)
Benefit payments, including refunds of employee contributions	( 144,756)	( 144,756)	-
Administrative expense	-	( 4,452)	4,452
Other changes	-	-	-
Net changes	<u>702,469</u>	<u>815,077</u>	<u>( 112,608)</u>
Balances at 6/30/17	<u>\$ 6,282,124</u>	<u>\$ 5,538,317</u>	<u>\$ 743,807</u>

**Sensitivity of the net pension liability (asset) to changes in the discount rate**

The following presents the net pension liability (asset) of Dunlap calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	Dunlap's net pension liability (asset)	\$ 1,639,684	\$ 743,807

**NOTE 23 - EMPLOYEE PENSION PLAN (Continued)**

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

**Pension expense (negative pension expense)**

For the year ended June 30, 2018, Dunlap recognized pension expense (negative pension expense) of \$149,379.

**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2018, Dunlap reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial experience	\$ 165,757	\$ 52,601
Net difference between projected and actual earnings on pension plan investments	-	7,126
Changes in assumptions	134,553	-
Contributions subsequent to the measurement date of June 30, 2017	<u>316,781</u>	<u>(not applicable)</u>
Total	<u>\$ 617,091</u>	<u>\$ 59,727</u>

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

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

**Year Ended June 30:**

2019	\$ 26,318
2020	\$ 89,830
2021	\$ 52,594
2022	\$ 8,999
2023	\$ 26,564
Thereafter	\$ 36,283

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

**Payable to the Pension Plan**

At June 30, 2018, Dunlap reported a payable of \$28,683 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

**NOTE 24 - LITIGATION AND CLAIMS**

The City is currently the defendant in various legal actions which are being vigorously defended. It is the overall impression of management that these suits are defensible cases.

**NOTE 25 - CONTINGENCIES**

As of June 30, 2018, the City did not have any material contingent liabilities.

**NOTE 26 - DEFINED CONTRIBUTION PLAN**

The City of Dunlap offers a 457(b) defined contribution plan to its employees. Employees can invest money where pretax funds accumulate on a tax-deferred basis.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**



**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Changes in Net Position Liability (Asset) and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of the TCRS**  
**June 30, 2018**

**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>Total pension liability</u></b>				
Service cost	\$ 137,855	\$ 142,045	\$ 138,816	\$ 167,632
Interest	339,302	374,617	393,334	425,618
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	157,218	(84,164)	5,612	96,996
Change of assumptions	-	-	-	156,979
Benefit payments, including refunds of employee contributions	<u>(103,422)</u>	<u>(231,956)</u>	<u>(127,481)</u>	<u>(144,756)</u>
Net change in total pension liability	530,953	200,542	410,281	702,469
Total pension liability - beginning	<u>4,437,879</u>	<u>4,968,832</u>	<u>5,169,374</u>	<u>5,579,655</u>
Total pension liability - ending (a)	<u>\$ 4,968,832</u>	<u>\$ 5,169,374</u>	<u>\$ 5,579,655</u>	<u>\$ 6,282,124</u>
 <b><u>Plan fiduciary net position</u></b>				
Contributions - employer	\$ 224,294	\$ 236,690	\$ 248,293	\$ 303,561
Contributions - employee	91,103	92,893	97,447	110,467
Net investment income	578,616	129,728	119,278	550,257
Benefit payments, including refunds of employee contributions	(103,422)	(231,956)	(127,481)	(144,756)
Administrative expense	(1,758)	(2,365)	(3,732)	(4,452)
Other	-	-	-	-
Net change in plan fiduciary net position	788,833	224,990	333,805	815,077
Plan fiduciary net position - beginning	<u>3,375,612</u>	<u>4,164,445</u>	<u>4,389,435</u>	<u>4,723,240</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,164,445</u>	<u>\$ 4,389,435</u>	<u>\$ 4,723,240</u>	<u>\$ 5,538,317</u>
 Net Pension Liability (asset) - ending (a) - (b)	 <u>\$ 804,387</u>	 <u>\$ 779,939</u>	 <u>\$ 856,415</u>	 <u>\$ 743,807</u>
 Plan fiduciary net position as a percentage of total pension liability	 83.81%	 84.91%	 84.65%	 88.16%
 Covered payroll	 \$ 1,822,045	 \$ 1,857,854	 \$ 1,948,926	 \$ 2,209,324
 Net pension liability (asset) as a percentage of covered payroll	 44.15%	 41.98%	 43.94%	 33.67%

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

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS**  
**June 30, 2018**

<b>Last Fiscal Year Ending June 30</b>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 224,294	\$ 236,690	\$ 248,293	\$ 281,468	\$ 294,569
Contributions in relation to the actuarially determined contribution	<u>224,294</u>	<u>236,690</u>	<u>248,293</u>	<u>303,561</u>	<u>316,781</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,093)</u>	<u>\$ (22,212)</u>
Covered payroll	\$ 1,822,045	\$ 1,857,854	\$ 1,948,926	\$ 2,209,324	\$ 2,221,152
Contributions as a percentage of covered payroll	12.31%	12.74%	12.74%	13.74%	14.26%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS (Continued)**  
**June 30, 2018**

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 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	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustment	2.5 percent

**OTHER SUPPLEMENTARY INFORMATION**

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

#### **Solid Waste Fund:**

This fund is used to account for the revenues from and expenditures related to the City's solid waste services.

#### **Drug Fund:**

This fund is used to account for investigation of violations of controlled substance laws and is funded primarily by the state statute from the receipt of fines and costs related to drug enforcement cases.

### **Debt Service Funds**

#### **Debt Service:**

This fund is used to account for funds accumulated and used for the payment of governmental funds debt.

**CITY OF DUNLAP, TENNESSEE**  
**Non-major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

	<u>Special Revenue</u>		<u>Debt Service</u>	<b>Total Non-major Governmental Funds</b>
	<u>Solid Waste Fund</u>	<u>Drug Fund</u>	<u>Debt Service Funds</u>	
<b>ASSETS</b>				
Cash	\$ -	\$ 9,597	\$ 5,740	\$ 15,337
Investments	-	-	30,000	30,000
Due from other funds	<u>29,398</u>	<u>-</u>	<u>-</u>	<u>29,398</u>
<b>TOTAL ASSETS</b>	<u>\$ 29,398</u>	<u>\$ 9,597</u>	<u>\$ 35,740</u>	<u>\$ 74,735</u>
<b>LIABILITIES</b>				
Due to other funds	<u>\$ 29,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,398</u>
<b>FUND BALANCES</b>				
Restricted	<u>\$ -</u>	<u>\$ 9,597</u>	<u>\$ 35,740</u>	<u>\$ 45,337</u>

**CITY OF DUNLAP, TENNESSEE**  
**Non-major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2018**

	<u>Special Revenue</u>		<u>Debt Service</u>	<b>Total Non-major Governmental Funds</b>
	<u>Solid Waste Fund</u>	<u>Drug Fund</u>	<u>Debt Service Funds</u>	
<b>REVENUES</b>				
Charges for services	\$ 355,989	\$ -	\$ -	\$ 355,989
Fines and forfeitures	-	3,817	-	3,817
Other revenues	<u>2,399</u>	<u>33</u>	<u>5</u>	<u>2,437</u>
<b>TOTAL REVENUES</b>	<u>358,388</u>	<u>3,850</u>	<u>5</u>	<u>362,243</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
General government	-	-	2,707	2,707
Public safety	-	1,263	-	1,263
Public works	398,732	-	-	398,732
<b>Capital outlay</b>	-	1,025	-	1,025
<b>Debt service</b>	<u>2,399</u>	<u>-</u>	<u>231,014</u>	<u>233,413</u>
<b>TOTAL EXPENDITURES</b>	<u>401,131</u>	<u>2,288</u>	<u>233,721</u>	<u>637,140</u>
Excess (deficiency) of revenues over (under) expenditures	(42,743)	1,562	(233,716)	(274,897)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>42,743</u>	<u>-</u>	<u>235,810</u>	<u>278,553</u>
Net changes in fund balances	-	1,562	2,094	3,656
<b>Fund balances - beginning</b>	<u>-</u>	<u>8,035</u>	<u>33,646</u>	<u>41,681</u>
<b>Fund balances - end</b>	<u>\$ -</u>	<u>\$ 9,597</u>	<u>\$ 35,740</u>	<u>\$ 45,337</u>

**CITY OF DUNLAP, TENNESSEE**  
**Solid Waste Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services				
Rent of facilities	\$ 365,000	\$ 365,000	\$ 355,989	\$ (9,011)
Other revenues				
Miscellaneous	-	-	2,399	2,399
<b>TOTAL REVENUES</b>	<u>365,000</u>	<u>365,000</u>	<u>358,388</u>	<u>(6,612)</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Public works				
Contract services - hauling	406,500	406,500	398,732	7,768
<b>Debt service</b>				
Principal	-	-	2,399	(2,399)
<b>TOTAL EXPENDITURES</b>	<u>406,500</u>	<u>406,500</u>	<u>401,131</u>	<u>5,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,500)</u>	<u>(41,500)</u>	<u>(42,743)</u>	<u>(1,243)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	42,743	42,743
Net changes in fund balances	(41,500)	(41,500)	-	41,500
<b>Fund balances - beginning</b>	-	-	-	-
<b>Fund balances - end</b>	<u>\$ (41,500)</u>	<u>\$ (41,500)</u>	<u>\$ -</u>	<u>\$ 41,500</u>



**CITY OF DUNLAP, TENNESSEE**  
**Drug Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures				
Fines and seizure	\$ 9,000	\$ 9,000	\$ 3,817	\$ (5,183)
Other revenues				
Miscellaneous	2,860	2,860	-	(2,860)
Interest	-	-	33	33
Total other revenues	<u>2,860</u>	<u>2,860</u>	<u>33</u>	<u>(2,827)</u>
<b>TOTAL REVENUES</b>	<u>11,860</u>	<u>11,860</u>	<u>3,850</u>	<u>(8,010)</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Public safety				
Drug enforcement	5,000	5,000	1,263	3,737
<b>Capital outlay</b>	<u>2,000</u>	<u>2,000</u>	<u>1,025</u>	<u>975</u>
<b>TOTAL EXPENDITURES</b>	<u>7,000</u>	<u>7,000</u>	<u>2,288</u>	<u>4,712</u>
Excess (deficiency) of revenues over (under) expenditures	4,860	4,860	1,562	(3,298)
<b>Fund balances - beginning</b>	<u>8,035</u>	<u>8,035</u>	<u>8,035</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 12,895</u>	<u>\$ 12,895</u>	<u>\$ 9,597</u>	<u>\$ (3,298)</u>

**CITY OF DUNLAP, TENNESSEE**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Other revenues				
Interest	\$ 10	\$ 10	\$ 5	\$ (5)
<b>TOTAL REVENUES</b>	<u>10</u>	<u>10</u>	<u>5</u>	<u>(5)</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
General government				
Other fees and billing	<u>3,600</u>	<u>3,600</u>	<u>2,707</u>	<u>893</u>
<b>Debt service</b>				
Interest	61,675	61,675	61,014	661
Principal	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Total debt service	<u>231,675</u>	<u>231,675</u>	<u>231,014</u>	<u>661</u>
<b>TOTAL EXPENDITURES</b>	<u>235,275</u>	<u>235,275</u>	<u>233,721</u>	<u>1,554</u>
Excess (deficiency) of revenues over (under) expenditures	(235,265)	(235,265)	(233,716)	1,549
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>235,810</u>	<u>235,810</u>	<u>235,810</u>	<u>-</u>
Net changes in fund balances	545	545	2,094	1,549
<b>Fund balances - beginning</b>	<u>33,646</u>	<u>33,646</u>	<u>33,646</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 34,191</u>	<u>\$ 34,191</u>	<u>\$ 35,740</u>	<u>\$ 1,549</u>

**FINANCIAL SCHEDULES**

**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2018**

<u>Federal Grantor/Pass - Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Grant/ Program Number</u>	<u>(Receivable) Deferred June 30, 2017</u>	<u>Grant/Loan Receipts</u>	<u>Grant/Loan Expenditures</u>	<u>(Receivable) Deferred June 30, 2018</u>
<b>Federal</b>						
Department of Agriculture						
USDA - Rural Business Development Grant	10.351	48-077-857847576	\$ (15,000)	\$ 15,000	\$ -	\$ -
Department of Transportation						
Tennessee Department of Transportation -						
Alcohol Countermeasures	20.607	Z-17-THS151	(955)	3,017	2,062	-
Coops Creek II	20.205	STP-EN-7700(20)	(213)	213	-	-
Total Department of Transportation			<u>(1,168)</u>	<u>3,230</u>	<u>2,062</u>	<u>-</u>
Economic and Community Development						
2016 ARC Industrial Park	23.001	52050	(58,004)	96,229	38,501	(276)
<b>Total Federal Awards</b>			<u>(74,172)</u>	<u>114,459</u>	<u>40,563</u>	<u>(276)</u>
<b>State</b>						
Tennessee Department of Environment and Conservation	-	507040	-	-	57,500	(57,500)
<b>Total Federal and State Awards</b>			<u>\$ (74,172)</u>	<u>\$ 114,459</u>	<u>\$ 98,063</u>	<u>\$ (57,776)</u>

**CITY OF DUNLAP, TENNESSEE**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2018**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Dunlap, Tennessee and is presented on the modified accrual basis of accounting.

**NOTE 2 - INDIRECT COST RATE**

The City of Dunlap, Tennessee has not allocated any indirect cost.

**CITY OF DUNLAP, TENNESSEE**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Water sales and sewer charges	\$ 2,317,300	\$ 2,317,300	\$ 2,007,586	\$ (309,714)
Customer penalties	2,500	2,500	1,093	(1,407)
Connection fees	45,500	45,500	53,000	7,500
Other operating	<u>10,700</u>	<u>10,700</u>	<u>12,467</u>	<u>1,767</u>
Total operating revenues	<u>2,376,000</u>	<u>2,376,000</u>	<u>2,074,146</u>	<u>(301,854)</u>
<b>OPERATING EXPENSES</b>				
Transmission and treatment	247,850	247,850	214,957	32,893
Operating and maintenance	2,403,191	2,403,191	734,109	1,669,082
Administration	555,397	555,397	450,194	105,203
Depreciation	<u>-</u>	<u>-</u>	<u>592,921</u>	<u>(592,921)</u>
Total operating expenses	<u>3,206,438</u>	<u>3,206,438</u>	<u>1,992,181</u>	<u>1,214,257</u>
Operating income (loss)	<u>(830,438)</u>	<u>(830,438)</u>	<u>81,965</u>	<u>912,403</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	1,600	1,600	3,581	1,981
Interest expense	(424,023)	(424,023)	(174,708)	249,315
Bond issue	<u>(19,015)</u>	<u>(19,015)</u>	<u>(44,914)</u>	<u>(25,899)</u>
Total non-operating revenues (expenses)	<u>(441,438)</u>	<u>(441,438)</u>	<u>(216,041)</u>	<u>225,397</u>
Income (loss) before contributions	(1,271,876)	(1,271,876)	(134,076)	1,137,800
Capital contributions	<u>1,435,050</u>	<u>1,435,050</u>	<u>-</u>	<u>(1,435,050)</u>
Changes in net position	163,174	163,174	(134,076)	(297,250)
Net position - beginning	<u>6,947,897</u>	<u>6,947,897</u>	<u>6,947,897</u>	<u>-</u>
Net position - end	<u>\$ 7,111,071</u>	<u>\$ 7,111,071</u>	<u>\$ 6,813,821</u>	<u>\$ (297,250)</u>

**CITY OF DUNLAP, TENNESSEE**  
**Natural Gas Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Gas sales	\$ 1,801,341	\$ 1,801,341	\$ 2,015,373	\$ 214,032
Customer penalties	500	500	777	277
Connection fees	12,500	12,500	14,475	1,975
Other operating	1,700	1,700	128	(1,572)
Total operating revenues	<u>1,816,041</u>	<u>1,816,041</u>	<u>2,030,753</u>	<u>214,712</u>
<b>OPERATING EXPENSES</b>				
Purchased gas	720,513	720,513	815,867	(95,354)
Operating and maintenance	464,702	464,702	412,099	52,603
Administration	443,298	443,298	349,657	93,641
Depreciation	-	-	148,082	(148,082)
Total operating expenses	<u>1,628,513</u>	<u>1,628,513</u>	<u>1,725,705</u>	<u>(97,192)</u>
Operating income (loss)	<u>187,528</u>	<u>187,528</u>	<u>305,048</u>	<u>117,520</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	800	800	2,136	1,336
Interest expense	(191,263)	(191,263)	(31,263)	160,000
Total non-operating revenues (expenses)	<u>(190,463)</u>	<u>(190,463)</u>	<u>(29,127)</u>	<u>161,336</u>
Changes in net position	(2,935)	(2,935)	275,921	278,856
Net position - beginning	<u>602,863</u>	<u>602,863</u>	<u>602,863</u>	<u>-</u>
Net position - end	<u>\$ 599,928</u>	<u>\$ 599,928</u>	<u>\$ 878,784</u>	<u>\$ 278,856</u>

**CITY OF DUNLAP, TENNESSEE**  
**General Fund**  
**Schedule of Property Taxes Receivable**  
**June 30, 2018**

**Year of Levy**

2018	\$ 730,156
2017	53,625
2016	26,790
2015	16,709
2014	8,031
2013	4,982
2012	3,963
2011	1,540
2010	2,536
2009	<u>379</u>
	848,711
Less allowance for uncollectible	<u>(32,493)</u>
Property taxes receivable - net	<u>\$ 816,218</u>



**CITY OF DUNLAP, TENNESSEE**  
**General Fund**  
**Schedule of Changes in Property Taxes Receivable**  
**Year Ended June 30, 2018**

	<b>Taxes Receivable July 1, 2017</b>	<b>Taxes Levied</b>	<b>Pickups</b>	<b>Releases</b>	<b>Collections</b>	<b>Taxes Receivable June 30, 2018</b>
2018	\$ -	\$ 730,156	\$ -	\$ -	\$ -	\$ 730,156
2017	685,841	-	453	-	(632,669)	53,625
2016	51,162	-	-	-	(24,372)	26,790
2015	23,632	-	-	-	(6,923)	16,709
2014	12,079	-	-	-	(4,048)	8,031
2013	8,018	-	-	-	(3,036)	4,982
2012	5,412	-	-	-	(1,449)	3,963
2011	2,111	-	-	-	(571)	1,540
2010	2,991	-	-	-	(455)	2,536
2009	432	-	-	-	(53)	379
2008	<u>332</u>	<u>-</u>	<u>-</u>	<u>(332)</u>	<u>-</u>	<u>-</u>
	<u>\$ 792,010</u>	<u>\$ 730,156</u>	<u>\$ 453</u>	<u>\$ (332)</u>	<u>\$ (673,576)</u>	<u>\$ 848,711</u>

**CITY OF DUNLAP, TENNESSEE**  
**Governmental Funds**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**LANDFILL POST-CLOSURE LIABILITY - ESTIMATE**

<u>Maturing</u> <u>June 30,</u>	<u>Total</u> <u>Requirements</u>
2019	\$ 2,399
2020	2,399
2021	2,399
2022	2,399
2023	2,399
2024	2,399
2025	2,399
2026	2,399
2027	2,399
2028	2,399
2029	2,399
2030	2,399
2031	2,399
2032	<u>2,385</u>
 Total	 <u>\$ 33,572</u>

**CITY OF DUNLAP, TENNESSEE**  
**Governmental Funds**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**TENNESSEE MUNICIPAL BONDS**  
**SERIES 2002 AT 0.28%**

<u>Maturing June 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
	\$ 121,018	\$ 339	\$ 121,357
<b>Total</b>	<u>\$ 121,018</u>	<u>\$ 339</u>	<u>\$ 121,357</u>

**CITY OF DUNLAP, TENNESSEE**  
**Governmental Funds**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**2017 GENERAL OBLIGATION BOND**  
**2% TO 4%**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ -	\$ 58,794	\$ 58,794
2020	70,000	58,794	128,794
2021	70,000	55,994	125,994
2022	75,000	53,194	128,194
2023	75,000	50,194	125,194
2024	80,000	47,194	127,194
2025	80,000	45,594	125,594
2026	80,000	43,994	123,994
2027	85,000	42,094	127,094
2028	85,000	40,075	125,075
2029	90,000	37,525	127,525
2030	90,000	34,825	124,825
2031	95,000	32,125	127,125
2032	100,000	29,037	129,037
2033	100,000	25,787	125,787
2034	105,000	22,537	127,537
2035	105,000	19,125	124,125
2036	110,000	15,712	125,712
2037	115,000	12,137	127,137
2038	120,000	8,400	128,400
2039	120,000	4,200	124,200
<b>Total</b>	<b><u>\$1,850,000</u></b>	<b><u>\$ 737,331</u></b>	<b><u>\$ 2,587,331</u></b>

**CITY OF DUNLAP, TENNESSEE**  
**Governmental Funds**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**2017B GENERAL OBLIGATION BOND**  
**2% TO 3%**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ -	\$ 23,699	\$ 23,699
2020	42,146	23,699	65,845
2021	45,388	22,856	68,244
2022	48,630	21,948	70,578
2023	48,630	20,976	69,606
2024	51,872	20,003	71,875
2025	51,872	18,966	70,838
2026	51,872	17,928	69,800
2027	55,114	16,892	72,006
2028	55,114	15,789	70,903
2029	55,114	14,686	69,800
2030	55,114	13,033	68,147
2031	58,356	11,379	69,735
2032	61,598	9,629	71,227
2033	61,598	7,781	69,379
2034	64,840	5,933	70,773
2035	64,840	3,988	68,828
2036	<u>67,968</u>	<u>2,042</u>	<u>70,010</u>
<b>Total</b>	<b><u>\$ 940,066</u></b>	<b><u>\$ 271,227</u></b>	<b><u>\$ 1,211,293</u></b>

**CITY OF DUNLAP, TENNESSEE**  
**Governmental Funds**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**2017C GENERAL OBLIGATION BOND**  
**2.65% TO 4%**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ -	\$ 20,743	\$ 20,743
2020	28,455	20,743	49,198
2021	28,455	19,605	48,060
2022	30,488	18,466	48,954
2023	30,488	17,247	47,735
2024	30,488	16,027	46,515
2025	34,553	15,219	49,772
2026	34,553	14,252	48,805
2027	34,553	13,250	47,803
2028	36,585	12,213	48,798
2029	36,585	11,079	47,664
2030	38,618	9,908	48,526
2031	40,650	8,653	49,303
2032	40,650	7,332	47,982
2033	40,650	6,011	46,661
2034	44,715	4,639	49,354
2035	44,715	3,130	47,845
2036	<u>44,647</u>	<u>1,565</u>	<u>46,212</u>
<b>Total</b>	<b><u>\$ 619,848</u></b>	<b><u>\$ 220,082</u></b>	<b><u>\$ 839,930</u></b>

**CITY OF DUNLAP, TENNESSEE**  
**Water and Sewer Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**WATER AND SEWER REFUNDING BONDS**  
**SERIES 2007 AT 3.65% TO 3.85%**

<u>Maturing</u> <u>June 30,</u> <u>2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
	<u>\$ 80,000</u>	<u>\$ 3,080</u>	<u>\$ 83,080</u>
Total	<u>\$ 80,000</u>	<u>\$ 3,080</u>	<u>\$ 83,080</u>

**CITY OF DUNLAP, TENNESSEE**  
**Water and Sewer Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**WATER AND SEWER REVENUE AND TAX BOND**  
**SERIES 2009 AT 3.50%**

Maturing June 30,	Principal	Interest	Total Requirements
2019	\$ 9,396	\$ 16,080	\$ 25,476
2020	9,730	15,746	25,476
2021	10,076	15,400	25,476
2022	10,435	15,041	25,476
2023	10,806	14,670	25,476
2024	11,190	14,286	25,476
2025	11,588	13,888	25,476
2026	12,000	13,476	25,476
2027	12,427	13,049	25,476
2028	12,869	12,607	25,476
2029	13,327	12,149	25,476
2030	13,801	11,675	25,476
2031	14,292	11,184	25,476
2032	14,800	10,676	25,476
2033	15,326	10,150	25,476
2034	15,871	9,605	25,476
2035	16,436	9,040	25,476
2036	17,020	8,456	25,476
2037	17,626	7,850	25,476
2038	18,253	7,223	25,476
2039	18,902	6,574	25,476
2040	19,574	5,902	25,476
2041	20,270	5,206	25,476
2042	20,991	4,485	25,476
2043	21,738	3,738	25,476
2044	22,511	2,965	25,476
2045	23,312	2,164	25,476
2046	24,141	1,335	25,476
2047	25,675	475	26,150
<b>Total</b>	<b>\$ 464,383</b>	<b>\$ 275,095</b>	<b>\$ 739,478</b>



**CITY OF DUNLAP, TENNESSEE**  
**Water and Sewer Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**WATER AND SEWER GENERAL OBLIGATION REFUNDING BONDS**  
**SERIES 2014 AT 2.0% TO 4.0%**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 165,000	\$ 149,187	\$ 314,187
2020	165,000	145,887	310,887
2021	170,000	142,175	312,175
2022	175,000	138,350	313,350
2023	180,000	134,413	314,413
2024	180,000	130,363	310,363
2025	185,000	124,963	309,963
2026	195,000	119,413	314,413
2027	200,000	113,075	313,075
2028	205,000	106,575	311,575
2029	215,000	99,400	314,400
2030	220,000	91,875	311,875
2031	230,000	83,625	313,625
2032	235,000	75,000	310,000
2033	245,000	66,188	311,188
2034	225,000	57,000	282,000
2035	235,000	48,000	283,000
2036	245,000	38,600	283,600
2037	255,000	28,800	283,800
2038	265,000	18,600	283,600
2039	200,000	8,000	208,000
<b>Total</b>	<b><u>\$ 4,390,000</u></b>	<b><u>\$ 1,919,489</u></b>	<b><u>\$ 6,309,489</u></b>

**CITY OF DUNLAP, TENNESSEE**  
**Water and Sewer Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**2017B GENERAL OBLIGATION BOND**  
**2% TO 3%**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ -	\$ 12,851	\$ 12,851
2020	22,854	12,851	35,705
2021	24,612	12,394	37,006
2022	26,370	11,902	38,272
2023	26,370	11,374	37,744
2024	28,128	10,847	38,975
2025	28,128	10,284	38,412
2026	28,128	9,722	37,850
2027	29,886	9,159	39,045
2028	29,886	8,561	38,447
2029	29,886	7,964	37,850
2030	29,886	7,067	36,953
2031	31,644	6,171	37,815
2032	33,402	5,221	38,623
2033	33,402	4,219	37,621
2034	35,160	3,217	38,377
2035	35,160	2,162	37,322
2036	<u>37,032</u>	<u>1,108</u>	<u>38,140</u>
<b>Total</b>	<b><u>\$ 509,934</u></b>	<b><u>\$ 147,074</u></b>	<b><u>\$ 657,008</u></b>

**CITY OF DUNLAP, TENNESSEE**  
**Water and Sewer Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**2017C GENERAL OBLIGATION BOND**  
**2.65% TO 4%**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ -	\$ 30,285	\$ 30,285
2020	41,545	30,285	71,830
2021	41,545	28,623	70,168
2022	44,513	26,962	71,475
2023	44,513	25,181	69,694
2024	44,513	23,401	67,914
2025	50,448	22,221	72,669
2026	50,448	20,808	71,256
2027	50,448	19,345	69,793
2028	53,415	17,832	71,247
2029	53,415	16,176	69,591
2030	56,383	14,467	70,850
2031	59,350	12,634	71,984
2032	59,350	10,705	70,055
2033	59,350	8,776	68,126
2034	65,285	6,773	72,058
2035	65,284	4,570	69,854
2036	<u>65,347</u>	<u>2,285</u>	<u>67,632</u>
<b>Total</b>	<u>\$ 905,152</u>	<u>\$ 321,329</u>	<u>\$ 1,226,481</u>

**CITY OF DUNLAP, TENNESSEE**  
**Natural Gas Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**NATURAL GAS REVENUE BONDS**  
**SERIES 1964 AT 5.25% (1)**

<u>Due Date</u>	<u>Numbers</u>	<u>Total Requirements</u>
01/01/70	# 10-19	\$ 10,000
01/01/71	# 20-29	10,000
01/01/72	# 30-36	7,000
01/01/77	# 99-116	18,000
01/01/78	# 117-134	<u>18,000</u>
		<u>\$ 63,000</u>

(1) The location and owners of the bond numbers listed above are unknown, and they are still outstanding as of June 30, 2018.

**CITY OF DUNLAP, TENNESSEE**  
**Natural Gas Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**NATURAL GAS REVENUE AND TAX BONDS**  
**SERIES 2017 AT 2% TO 4%**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 150,000	\$ 40,300	\$ 190,300
2020	155,000	34,300	189,300
2021	160,000	28,100	188,100
2022	180,000	21,700	201,700
2023	180,000	14,500	194,500
2024	180,000	7,300	187,300
2025	<u>185,000</u>	<u>3,700</u>	<u>188,700</u>
<b>Total</b>	<u>\$ 1,190,000</u>	<u>\$ 149,900</u>	<u>\$ 1,339,900</u>

**CITY OF DUNLAP, TENNESSEE**  
**Proprietary Funds**  
**Schedule of Operating Expenses**  
**Year Ended June 30, 2018**

	Enterprise		Totals
	Water and Sewer Fund	Natural Gas Fund	
<b>OPERATING EXPENSES</b>			
Purchased gas	\$ -	\$ 815,867	\$ 815,867
Transmission and treatment			
Power	152,896	-	152,896
Chemicals and treatment	62,061	-	62,061
Total transmission and treatment	<u>214,957</u>	<u>-</u>	<u>214,957</u>
Operating and maintenance			
Salaries	513,447	323,098	836,545
Engineering	4,236	-	4,236
Gas franchise	-	8,509	8,509
Insurance	34,905	5,283	40,188
Meter repairs and purchases	55,878	14,275	70,153
Pipe, fittings, valves, etc.	36,241	12,406	48,647
Pre-treatment program	1,200	-	1,200
Rent	18,000	18,000	36,000
Repairs and maintenance	36,361	4,281	40,642
Supplies	5,441	6,059	11,500
Training	13,518	3,798	17,316
Uniforms	-	600	600
Vehicle expense	14,882	15,790	30,672
Total operating and maintenance	<u>734,109</u>	<u>412,099</u>	<u>1,146,208</u>
Administration			
Salaries	64,485	116,102	180,587
Payroll taxes	49,857	27,549	77,406
Employee benefits	219,981	121,523	341,504
Advertising	-	12,865	12,865
Auditing and legal services	13,256	6,651	19,907
Grant expenses	1,500	-	1,500
Inspection fees	8,441	-	8,441
Insurance	27,609	9,170	36,779
Miscellaneous	624	139	763
Office supplies	24,363	18,290	42,653
Other fees, billings and refunds	2,094	5,104	7,198
Professional services	15,794	18,449	34,243
Telephone	12,146	10,387	22,533
Travel	3,605	16	3,621
Utilities	6,439	3,412	9,851
Total administration	<u>450,194</u>	<u>349,657</u>	<u>799,851</u>
Depreciation	<u>592,921</u>	<u>148,082</u>	<u>741,003</u>
Total operating expenses	<u>\$ 1,992,181</u>	<u>\$ 1,725,705</u>	<u>\$ 3,717,886</u>

**CITY OF DUNLAP, TENNESSEE**  
**Tax Rates and Assessed Valuation Applicable to Last Ten Years and**  
**Uncollected Delinquent Accounts**  
**June 30, 2018**

<u>Year of Levy</u>	<u>Per \$100</u>	<u>Values</u>	<u>Assessment</u>
2018	\$ .752	\$97,095,212	\$ 730,156
2017	\$ .752	\$91,175,188	\$685,637
2016	\$ .762	\$88,387,108	\$673,510
2015	\$ .762	\$88,874,803	\$677,226
2014	\$ .762	\$85,835,694	\$654,068
2013	\$ .762	\$86,954,593	\$662,594
2012	\$ .762	\$85,383,734	\$650,624
2011	\$ .73	\$91,199,589	\$665,757
2010	\$ .73	\$90,388,588	\$659,837
2009	\$ .73	\$94,511,197	\$689,932

NOTE: On July 1, 2018, the City of Dunlap approved the levy for the year ended June 30, 2018, for residents on record as of January 1, 2018. The 2018 levy was recorded as a receivable and deferred revenue for the year ended June 30, 2018.

**UNCOLLECTED DELINQUENT ACCOUNTS**

Delinquent taxes filed for collection by years are as follows:

<u>Year of Levy</u>	<u>Delinquent Taxes Filed</u>
2017	\$ 53,625
2016	26,790
2015	16,709
2014	8,031
2013	4,982
2012	3,963
2011	1,540
2010	2,536
2009	379
	<u>\$ 118,555</u>

**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Municipal Utility Rates and Number of Customers**  
**June 30, 2018**

**WATERWORKS**

Number of customers 2,807

	Residential Inside City	Residential Outside
0 - 2,000 gallons (minimum bill)	\$ 22.85	\$ 35.85
Next - 10,000 gallons	\$ 5.25 per/1,000	\$ 11.50 per/1,000
Over 10,000 gallons	\$ 4.00 per/1,000	\$ 11.00 per/1,000
	Commercial Inside City	Commercial Outside
0 - 2,000 gallons (minimum bill)	\$ 29.85	\$ 50.00
Next - 10,000 gallons	\$ 5.25 per/1,000	\$ 11.50 per/1,000
Over 10,000 gallons	\$ 4.00 per/1,000	\$ 11.00 per/1,000
1 inch meter minimum bill	\$ 75.85	\$121.00
1-1/2 inch meter minimum bill	\$ 90.85	\$151.00
2 inch meter minimum bill	\$ 175.85	\$276.00
4-6 inch meter minimum bill	\$ 175.85	\$276.00

**SEWER SYSTEM**

Number of customers 859

Residential - \$5.50 per/1,000 gallons

Commercial - \$7.50 per/1,000 gallons

**NATURAL GAS SYSTEM**

Number of customers 2,133

Residential - \$5.84 per dth plus calculated rate of cost of gas

Commercial - \$6.24 per dth plus calculated rate of cost of gas

Industrial - \$2.72 per dth plus calculated rate of cost of gas



**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Insurance**  
**June 30, 2018**

<u>Description</u>	<u>Policy #</u>	<u>Policy Term</u>	<u>Coverage</u>
Property	TMP-4314-18	7-1-17/18	\$ 29,276,092
Workers compensation	TWC-0399-19	2-28-18/19	\$ 300,000 per accident \$ 700,000 policy limit \$ 300,000 per employee
Liability	TML-0409-19	1-7-18/19	\$1,000,000 each other loss per occurrence
Employee surety bonds		2017/2018	\$ 200,000 Recorder/Treasurer \$ 5,000 Bookkeeper, Judge/ Police Officers/ Cashiers/Mayor/ Vice-Mayor

CITY OF DUNLAP, TENNESSEE  
 Schedule of Unaccounted for Water  
 June 30, 2018

AWWA Free Water Audit Software:  
 Reporting Worksheet

Water Audit Report for: **Dunlap Water System (0000205)**  
 Reporting Year: **2018** **7/2017 - 7/2018**

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

**WATER SUPPLIED**

Volume from own sources	9	255.683	MG/Yr	Master Meter and Supply Error Adjustments Point: Value: Enter negative % or value for under-registration Enter positive % or value for over-registration
Water imported	n/a	0.000	MG/Yr	
Water exported	8	0.173	MG/Yr	
<b>WATER SUPPLIED:</b>		<b>255.510</b>	<b>MG/Yr</b>	

**AUTHORIZED CONSUMPTION**

Billed metered:	9	158.895	MG/Yr	Point: Value: 1.25% MG/Yr
Billed unmetered:	n/a	0.000	MG/Yr	
Unbilled metered:	10	0.000	MG/Yr	
Unbilled unmetered:		3.194	MG/Yr	
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed				
<b>AUTHORIZED CONSUMPTION:</b>		<b>162.089</b>	<b>MG/Yr</b>	

**WATER LOSSES (Water Supplied - Authorized Consumption)**

**Apparent Losses**

Unauthorized consumption:		0.639	MG/Yr	Point: Value: 0.25% MG/Yr 1.00% MG/Yr 0.25% MG/Yr	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed					
Customer metering inaccuracies:	8	1.805	MG/Yr		
Systematic data handling errors:		0.397	MG/Yr		
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed					
<b>Apparent Losses:</b>		<b>2.641</b>	<b>MG/Yr</b>		

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:

**WATER LOSSES:** **93.421** MG/Yr

**NON-REVENUE WATER**

NON-REVENUE WATER: **96.615** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:	8	142.0	miles
Number of active AND inactive service connections:	9	2,807	
Service connection density:		20	conn / mile main
Are customer meters typically located at the curbside or property line?		Yes	
Average length of customer service line has been set to zero and a data grading score of 10 has been applied			
Average operating pressure:	3	95.0	psi

**COST DATA**

Total annual cost of operating water system:	10	\$1,383,705	\$/Year
Customer retail unit cost (applied to Apparent Losses):	10	\$7.62	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	10		\$/Million gallons

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 86 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

- PRIORITY AREAS FOR ATTENTION:**
- Based on the information provided, audit accuracy can be improved by addressing the following components:
- 1: Volumes from own sources
  - 2: Unauthorized consumption
  - 3: Systematic data handling errors

CITY OF DUNLAP, TENNESSEE  
 Schedule of Unaccounted for Water (Continued)  
 June 30, 2018

AWWA Free Water Audit Software: WAS v5.0

Water Audit Report for: Dunlap Water System (0000205)

Reporting Year: 2018 7/2017 - 7/2018

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 \*\*\*

**System Attributes:**

Apparent Losses:		2,051	MG/Yr	
+ Real Losses:		50,780	MG/Yr	
= <u>Water Losses:</u>		52,831	MG/Yr	
Unavoidable Annual Real Losses (UARL):		41,241	MG/Yr	
Annual cost of Apparent Losses:		\$20,125		
Annual cost of Real Losses:		\$1,000,000		Valued at Variable Production Cost
				<small>Return to Reporting Worksheet to change this assumption</small>

**Performance Indicators:**

Non-revenue water as percent by volume of Water Supplied:		31.2%	
Non-revenue water as percent by cost of operating system:		1.9%	Real Losses valued at Variable Production Cost
Operational	Apparent Losses per service connection per day:	2.58	gallons/connection/day
	Real Losses per service connection per day:	11.0	gallons/connection/day
	Real Losses per length of main per day*:	1,701.50	gallons/mile/day
	Real Losses per service connection per day per psi pressure:	0.4	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	52.831	million gallons/year
	Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.23	

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

### **III. INTERNAL CONTROL AND COMPLIANCE SECTION**



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Jennifer Waycaster, CPA

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mayor and Commissioners  
City of Dunlap, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dunlap, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Dunlap, Tennessee's basic financial statements and have issued our report thereon dated January 25, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Dunlap, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dunlap, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dunlap, Tennessee's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mayor and Commissioners  
City of Dunlap, Tennessee  
Page Two

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Dunlap, Tennessee's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-002.

### **City of Dunlap, Tennessee's Response to Findings**

The City of Dunlap, Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Dunlap, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity'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 Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Johnson, Murpley & Wright, P.C.*

Chattanooga, Tennessee  
January 25, 2019

**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Findings and Responses**  
**June 30, 2018**

**SUMMARY OF AUDIT RESULTS**

**Opinion on Financial Statements:**

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Deficiencies:**

During the audit of the financial statements, no significant deficiencies in internal controls were disclosed.

**Material Noncompliance:**

Two instances of noncompliance or other matters were disclosed.

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

**COMPLIANCE:**

**Finding 2018-001 - Enterprise Fund Operating at a Loss**

**Criteria:**

Tennessee Code Annotated (TCA) Section 7-35-414 states in part that "Such rates and charges shall be adjusted so as to provide funds sufficient to pay all reasonable expenses of operation..."

**Condition:**

The Water and Sewer Fund operated at a loss of \$(134,076) for the year ending June 30, 2018.

**Cause:**

The Water and Sewer Fund did not have sufficient rates and charges or expenditure reduction to offset current year expenses.

**Effect:**

Continued losses by the Water and Sewer Fund may cause the fund to have a negative net position.

**Management's Response:**

We concur. We will more closely monitor the funds in the future to ensure they operate with sufficient rates and charges to pay all reasonable expenses. Prior to the end of the calendar year 2017, the board voted to substantially raise the rates in the Water and Sewer Fund.

**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Findings and Responses (Continued)**  
**June 30, 2018**

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS** (Continued)

**COMPLIANCE:** (Continued)

**Finding 2018-002 - Books Not Closed Within Sixty Days**

**Criteria:**

The State of Tennessee Audit Manual Appendix B states that a government must “close the accounting records within 60 days of their fiscal year end.”

**Condition:**

The City’s accounting records were not closed within 60 days after June 30, 2018.

**Cause:**

Transactions were being recorded after the 60 day limit, which also pushed back the closing date.

**Effect:**

The City was not in compliance with the State of Tennessee Audit Manual.

**Management’s Response:**

We concur. We will monitor our timing more closely in the future.



**CITY OF DUNLAP, TENNESSEE**  
**Schedule of Prior Audit Findings**  
**June 30, 2018**

<b><u>Finding Number</u></b>	<b><u>Finding Title</u></b>	<b><u>Status</u></b>
2017-001	Approvals and Documentation (Original finding 2015-002)	Corrected
2017-002	Enterprise Fund Operating at a Loss (Original finding 2014-003)	Repeated
2017-003	Books Not Closed Within Sixty Days (Original finding 2017-003)	Repeated
2017-004	Failure to Bid Purchase (Original finding 2017-004)	Corrected



DWAIN LAND  
Mayor

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**THE CITY OF  
DUNLAP, TENNESSEE**

15595 Rankin Avenue  
P.O. Box 546  
Dunlap, Tennessee 37327

Commissioners

JEFF HARMON  
JEFF JOHNSON  
ALLEN JONES  
JUDY H. LAYNE

**Corrective Action Plan  
June 30, 2018**

The corrective action plan for our June 30, 2018 audit is as follows:

**2018-001 Enterprise Fund Operating at a Loss**

We concur. Prior to the end of calendar year 2017, the board voted to substantially raise the rates in the Water and Sewer Fund.

**2018-002 Books Not Closed Within Sixty Days**

We concur. Norman Hatfield, CMFO, will ensure the upcoming fiscal year's accounting records are closed within 60 days.

Respectfully submitted,

City of Dunlap, Tennessee

Dwain Land, Mayor

TABLE I

## SUMMARY OF 2017 ASSESSMENTS FOR COUNTIES AND MUNICIPALITIES IN TENNESSEE

COUNTIES AND MUNICIPALITIES	ESTIMATED CURRENT PROPERTY VALUE	APPRAISAL RATIO **	TOTAL REAL PROPERTY ASSESSMENT	TOTAL PERSONAL PROPERTY ASSESSMENT	TOTAL LOCAL ASSESSMENT	PUBLIC UTILITY ASSESSMENT	TOTAL ASSESSMENT
* WATAUGA	20,194,941		4,545,015	909,900	5,454,915	274,794	5,729,709
CHEATHAM	3,128,315,972	1.0000	767,530,290	35,599,644	803,129,934	38,771,723	841,901,657
ASHLAND CITY	498,506,331		121,107,820	24,081,820	145,189,640	8,031,012	153,220,652
ASHLAND CITY RF	182,045,073		43,317,340	220,213	43,537,553	3,888,138	47,425,691
HARPETH RIDGE FIRE DIST	8,011,609		1,987,325	0	1,987,325	27,198	2,014,523
HENRIETTA FIRE DIST.	263,890,950		65,094,980	457,669	65,552,649	1,467,514	67,020,163
KINGSTON SPRINGS	287,696,074		72,662,710	3,675,096	76,337,806	1,075,664	77,413,470
KINSTON SPRINGS RF	312,135,994		76,117,775	1,036,772	77,154,547	2,798,046	79,952,593
PEGRAM FIRE DISTRICT	167,557,424		42,088,875	344,984	42,433,859	593,547	43,027,406
PEGRAM RF	96,134,567		24,007,660	38,001	24,045,661	92,975	24,138,636
PLEASANT VIEW RF	701,058,164		173,225,235	1,830,931	175,056,166	5,142,805	180,198,971
TWO RIVERS FIRE DIST.	184,081,662		44,717,585	594,745	45,312,330	2,601,923	47,914,253
CHESTER	879,333,808	1.0000	210,572,070	14,249,800	224,821,870	17,352,261	242,174,131
HENDERSON	278,973,379		68,519,395	10,578,082	79,097,477	6,753,836	85,851,313
CLAIBORNE	1,959,245,428	1.0000	472,956,010	43,641,908	516,597,918	28,980,839	545,578,757
CUMBERLAND GAP	16,618,481		4,870,305	53,975	4,924,280	408,857	5,333,137
CLAY	436,834,287	1.0000	108,375,950	3,832,347	112,208,297	8,897,925	121,106,222
CELINA	65,286,699		18,678,605	898,871	19,577,476	1,098,436	20,675,912
COCKE	2,229,134,291	0.9612	527,455,390	46,585,842	574,041,232	20,972,788	595,014,020
NEWPORT	468,413,459		122,554,740	18,925,386	141,480,126	4,153,844	145,633,970
COFFEE	3,859,516,980	0.9378	914,186,943	108,335,419	1,022,522,362	34,322,650	1,056,845,012
IND PARK	225,710,214		22,819,720	45,093,708	67,913,428	2,413,710	70,327,138
MANCHESTER	720,889,670		192,019,130	16,816,169	208,835,299	5,057,394	213,892,693
* TULLAHOMA	1,341,720,020		341,731,593	37,093,938	378,825,531	4,893,724	383,719,255
CROCKETT	889,312,070	1.0000	211,377,105	17,698,482	229,075,587	16,501,326	245,576,913
ALAMO	123,881,267		27,486,555	8,570,775	36,057,330	1,466,871	37,524,201
BELLS	122,312,919		29,893,215	5,374,516	35,267,731	2,033,512	37,301,243
FRIENDSHIP	22,392,921		5,435,050	715,252	6,150,302	645,257	6,795,559
MAURY CITY	23,168,152		5,816,670	461,726	6,278,396	239,887	6,518,283
CUMBERLAND	5,474,785,525	1.0000	1,385,631,680	90,390,948	1,476,022,628	46,864,857	1,522,887,485
CROSSVILLE	1,367,852,510		368,674,560	68,027,660	436,702,220	14,003,149	450,705,369
DAVIDSON	99,659,583,923	1.0000	28,771,381,791	1,423,353,999	30,194,735,790	779,345,451	30,974,081,241
BELLE MEADE	2,017,550,869		506,310,948	973,057	507,284,005	742,205	508,026,210
* GOODLETTSVILLE	1,270,681,655		384,979,367	32,814,537	417,793,904	10,394,271	428,188,175
NASHVILLE	73,574,715,567		21,781,983,947	1,233,885,894	23,015,869,841	589,517,294	23,605,387,135
* RIDGETOP	3,708,180		808,706	73,620	882,326	149,840	1,032,166
DECATUR	874,964,433	0.9909	214,681,280	10,375,200	225,056,480	12,714,100	237,770,580
DECATURVILLE	33,209,211		8,876,290	1,007,175	9,883,465	463,597	10,347,062
PARSONS	145,901,292		39,272,175	6,320,024	45,592,199	1,175,553	46,767,752
* SCOTTS HILL	9,749,608	1.0000	2,525,580	12,865	2,538,445	47,183	2,585,628
DEKALB	1,787,564,155		416,179,650	58,488,733	474,668,383	18,901,669	493,570,052
ALEXANDRIA	42,679,066		10,318,690	633,783	10,952,473	2,198,283	13,150,756
LIBERTY	15,422,769		3,616,605	397,080	4,013,685	262,063	4,275,748
SMITHVILLE	465,378,481		90,263,915	52,983,141	143,247,056	3,559,015	146,806,071
DICKSON	3,943,288,974	1.0000	987,273,215	97,440,806	1,084,714,021	25,056,203	1,109,770,224



TABLE I

## SUMMARY OF 2017 ASSESSMENTS FOR COUNTIES AND MUNICIPALITIES IN TENNESSEE

COUNTIES AND MUNICIPALITIES	ESTIMATED CURRENT PROPERTY VALUE	APPRAISAL RATIO **	TOTAL REAL PROPERTY ASSESSMENT	TOTAL PERSONAL PROPERTY ASSESSMENT	TOTAL LOCAL ASSESSMENT	PUBLIC UTILITY ASSESSMENT	TOTAL ASSESSMENT
* SWEETWATER	455,226,300		113,490,230	15,283,036	128,773,266	1,999,267	130,772,533
TELLICO PLAINS	62,283,799		15,826,845	531,985	16,358,830	2,212,443	18,571,273
VONORE	555,915,275		104,672,945	60,237,507	164,910,452	7,728,885	172,639,337
MONTGOMERY	13,441,064,205	0.9915	3,514,666,736	227,973,368	3,742,640,104	85,628,427	3,828,268,531
CLARKSVILLE	9,331,398,558		2,563,507,803	131,351,614	2,694,859,417	35,170,345	2,730,029,762
MOORE	915,660,871	0.9136	213,972,815	32,353,317	246,326,132	8,237,557	254,563,689
LYNCHBURG	57,444,749		15,480,155	1,196,101	16,676,256	1,597,328	18,273,584
MORGAN	1,057,080,022	1.0000	242,824,460	12,274,720	255,099,180	36,755,283	291,854,463
OAKDALE	6,490,999		1,232,675	2,333	1,235,008	738,568	1,973,576
* OLIVER SPRINGS	2,753,643		457,085	0	457,085	557,473	1,014,558
SUNBRIGHT	30,039,098		6,202,940	933,420	7,136,360	1,776,512	8,912,872
OBION	2,107,299,852	0.9572	488,800,349	48,466,140	537,266,489	55,684,735	592,951,224
HORNBEAK	18,424,596		4,418,280	42,763	4,461,043	280,340	4,741,383
* KENTON	25,205,398		6,499,675	395,650	6,895,325	249,505	7,144,830
* KENTON SSD	70,180,433		13,837,605	379,808	14,217,413	6,646,615	20,864,028
OBION	40,550,514		8,914,645	1,557,101	10,471,746	1,079,236	11,550,982
RIVES	8,106,496		1,330,245	61,955	1,392,200	1,071,281	2,463,481
SAMBURG	13,638,224		3,608,855	147,311	3,756,166	93,598	3,849,764
SOUTH FULTON	85,476,254		21,022,255	1,045,491	22,067,746	1,697,715	23,765,461
* TRIMBLE	564,664		24,725	0	24,725	201,376	226,101
TROY	62,004,145		13,551,600	1,899,681	15,451,281	2,476,585	17,927,866
UNION CITY	656,069,279		174,339,545	17,922,418	192,261,963	7,809,942	200,071,905
WOODLAND MILLS	17,668,238		3,673,140	167,072	3,840,212	991,429	4,831,641
OVERTON	1,334,084,160	0.9309	298,525,775	24,060,430	322,586,205	22,025,479	344,611,684
LIVINGSTON	274,050,182		64,500,835	11,931,169	76,432,004	5,246,654	81,678,658
PERRY	658,286,420	1.0000	141,038,635	10,684,077	151,722,712	36,873,949	188,596,661
LINDEN	69,337,175		14,125,525	5,794,402	19,919,927	2,632,412	22,552,339
LOBELVILLE	83,946,100		11,268,870	2,027,947	13,296,817	16,790,619	30,087,436
PICKETT	504,579,040	0.9455	120,836,440	2,617,470	123,453,910	5,384,558	128,838,468
BYRDSTOWN	47,393,006		13,036,515	321,166	13,357,681	964,923	14,322,604
POLK	1,257,116,374	0.9406	289,733,315	12,700,224	302,433,539	18,152,952	320,586,491
BENTON	73,527,215		18,087,615	920,896	19,008,511	1,868,818	20,877,329
COPPERHILL	31,924,631		8,246,795	186,342	8,433,137	808,949	9,242,086
DUCKTOWN	44,543,828		10,963,760	1,790,091	12,753,851	342,518	13,096,369
PUTNAM	5,515,390,763	1.0000	1,454,997,320	100,176,662	1,555,173,982	68,136,243	1,623,310,225
ALGOOD	276,301,508		77,384,225	5,893,319	83,277,544	2,947,187	86,224,731
BAXTER	73,753,271		18,201,810	1,835,216	20,037,026	2,084,717	22,121,743
COOKEVILLE	2,731,628,376		770,448,575	75,371,064	845,819,639	25,582,709	871,402,348
MONTEREY	119,310,348		26,315,770	7,862,831	34,178,601	1,999,103	36,177,704
RHEA	2,331,428,484	1.0000	573,113,000	53,418,595	626,531,595	29,079,930	655,611,525
DAYTON	582,287,062		144,130,585	39,852,291	183,982,876	3,536,371	187,519,247
GRAYSVILLE	34,215,693		8,749,340	177,908	8,927,248	856,923	9,784,171
SPRING CITY	121,238,568		30,128,230	3,538,676	33,666,906	2,741,780	36,408,686
ROANE	4,569,702,257	0.9916	1,158,529,680	56,030,910	1,214,560,590	41,096,721	1,255,657,311
HARRIMAN	363,097,331		104,330,050	6,213,701	110,543,751	4,468,731	115,012,482

